

# AUDIT AND GOVERNANCE COMMITTEE AGENDA



**Thursday 19 March, 2015**

**at 10.00 am**

**in Committee Room B,  
Civic Centre, Hartlepool.**

**MEMBERS:** AUDIT AND GOVERNANCE COMMITTEE

Councillors Ainslie, S Akers-Belcher, Cook, Martin-Wells, Thompson, Sirs and Springer.

Standards Co-opted Members; Mr Norman Rollo and Ms Clare Wilson.

Parish Council Representatives: Parish Councillor J Cambridge (Headland) and Parish Councillor B Walker (Greatham).

Local Police Representative: Chief Superintendent Gordon Lang.

**1. APOLOGIES FOR ABSENCE**

**2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

**3. MINUTES**

- 3.1 To confirm the minutes of the meeting held on 19 February and 5 March, 2015 (to Follow)

**4. AUDIT ITEMS**

- 4.1 Mazars Report - Certification of Claims and Returns 2013/14 – *Chief Finance Officer*  
4.2 Public Sector Internal Audit Standards - *Head of Audit and Governance*  
4.3 Internal Audit Plan 2014/15 Update – *Head of Audit and Governance*  
4.4 Internal Audit Plan 2015/16 – *Head of Audit and Governance*

**5. STANDARDS ITEMS**

None.



**6. STATUTORY SCRUTINY ITEMS**

6.1 Draft Final Report – Hate Crime In Hartlepool – *Scrutiny Manager* (to follow).

**7. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

**FOR INFORMATION**

Date of next meeting – Thursday 30 April, 2015 at 10.00 am in the Civic Centre, Hartlepool.



# **AUDIT AND GOVERNANCE COMMITTEE MINUTES AND DECISION RECORD**

19 FEBRUARY 2015

The meeting commenced at 10.00 am in the Civic Centre, Hartlepool

**Present:**

Councillor: Ray Martin-Wells (In the Chair)

Councillors: Jim Ainslie, Rob Cook, and George Springer.

Also Present: Co-opted Members:

Councillor John Cambridge, Headland Parish Council.

Local Police Representative: Chief Superintendent Gordon Lang.

Barry Coppinger, Police and Crime Commissioner

Sarah Wilson, Governance Officer (Consultation and Engagement),  
Police and Crime Commissioner's Office

Inspector D Maddison, Cleveland Police

John Dilworth, Deputy Chief Crown Prosecutor, CPS North East

Joanne Fairless, Hartgables

Yasmin Khan, Director, Halo Project Charity

Lorraine Wilson, Asylum Seeker and Refugee Group

Officers: Clare Clark, Head of Community Safety and Engagement  
Rachel Parker, Community Safety Research Officer  
Jayne Brown, Passenger Transport Services Team Leader  
Tara Davison, Neighbourhood Development Officer  
Sharon Robson, Health Improvement Practitioner (Drugs and Alcohol)  
Joan Stevens, Scrutiny Manager  
David Cosgrove, Democratic Services Team

## **119. Apologies for Absence**

Councillors S Akers-Belcher and Sirs.

Co-opted Members: Parish Councillor B Walker (Greatham), Mr Norman Rollo and Ms Clare Wilson.

## **120. Declarations of Interest**

Councillor Jim Ainslie declared a personal interest in Minute Nos. 129 and 130.

**121. Minutes of the meeting held on 11 December, 2014**

Confirmed.

**122. Audit Items**

No items.

**123. Standards Items**

No items.

**124. Hate Crime Investigation - Second Evidence Gathering Session - Evidence from Barry Coppinger, Police and Crime Commissioner**

The Police and Crime Commissioner (PCC) was present at the meeting and had submitted a paper to the meeting which was circulated with the agenda papers setting out how tackling hate crime was a key priority in the PCCs office and the Cleveland Police.

The PCC congratulated the committee on investigating the issue. The PCC stated he was committed to tackling hate crime through changing attitudes and perceptions through community engagement. In relation to disability hate crime, a lot had been done around the issue of insensitive parking of vehicles and the illegal use of disabled parking bays as mobility had been highlighted as a particular issue for the disabled.

There had also been extensive work around the introduction of safe places for people to seek support and report issues. Local retailers had been very supportive of this as had other agencies.

On homophobic and transgender hate crime, the PCC had engaged Gay Advice, Darlington to do some work on the reporting of gay and transgender hate crime. In relation to race and religious hate crime, the PCC reported that the Chinese community had recently been reporting particular issues on this respect. The PCC had also met with representatives from Show Racism the Red Card who worked with children and young people through sport.

The PCC in his presentation referred to a hate crime training DVD which had been produced to assist in the training provided to police officers and Members asked if it would be possible to see the DVD. The PCC indicated a copy would be sent to the Scrutiny Manager but it was highlighted the DVD was designed for front line police officers not the general public.

Members referred to some of the hard to reach ethnic community groups and the efforts that had been made through the investigation to seek

consultation survey responses from those groups. The PCC was asked what actions could be taken to assure these groups that 'officialdom' was on their side. The PCC commented that often these group were reluctant to deal with people in uniforms, often this was due to experiences in their home country. There were, however, a lot of support groups in the community doing good work with these groups to build confidence.

A Member referred to the work on disabled parking referred to by the PCC. The PCC acknowledged this was not a hate crime issue but one raised by disabled people as an issue of inconsideration.

The Chair thanked the PCC for his comments and attending the meeting.

### **Recommended**

That the report and comments of the Police and Crime Commissioner be noted.

## **125. Hate Crime Investigation - Second Evidence Gathering Session - Outcome of the Hate Crime Questionnaire** (*Scrutiny Manager*)

The Scrutiny Manager reported that as part of the scope and terms of reference agreed by the Committee, Members had agreed to a survey being undertaken with local groups on their experiences of hate crime in Hartlepool. The results of the survey were circulated to Members at the meeting and the Scrutiny manager highlighted the following key points that arose from the results.

- There were a significant number, 46%, of people that had never suffered a hate crime incident.
- Religion (43%) and Race (26%) recorded the highest incidents of hate crime.
- Most incidents occurred in the victim's community (local area / street – 44% and local shopping area – 23%).
- Perpetrators of hate crime tended not to be known to the victim (strangers – 76%) though an alarming number (18%) reported incidents of hate crime from their neighbours.
- Most hate crime was verbal abuse but there were concerns at the levels of intimidation (26%) and physical abuse (27%).
- Fewer than half of all incidents were reported – 43%, with fear of people finding out it had been reported (25%) being a major concern reported. The numbers of people fearing the police would do nothing about the incident (17%) or would not take it seriously (17%) or deal with the incident sensitively (8%) were concerning when taken in total. Only 4% of responders though the Police were prejudiced.
- When reported, all incidents were reported directly to the police; no one reported using the reporting centres.
- The majority had never witnessed a hate crime (59%) but those that had once and more than once, totalled 30%. Those reporting witnessed

hate crimes was 22% with 56% indicating they had not reported the incident.

- 49% of responders thought hate crime was a big or fairly big problem in their community. There also appeared to be an increase in hate crime over the past year.
- Most people (52%) considered that front line officers needed better training with 45% feeling there needed to be better support for victims through the criminal justice process. 41% of responders had indicated that they thought there should be dedicated contacts within the police force for hate crime and this had been echoed in the meeting with groups at St Joseph's Church
- There was an obvious issue around the reporting centres with 51% saying there should be dedicated reporting centres with 25% saying they would wish to report incidents to someone outside the police force.

The Police and Crime Commissioner (PCC) welcomed the results of the survey which he considered needed further detailed assessment. The PCC commented that it was clear that greater thought needed to be given to involving housing providers in this issue. Housing allocation needed to be considered thoughtfully to avoid the situation where vulnerable families were placed into situations where they would become even more vulnerable. While there had been a considerable amount of work undertaken on training officers, there obviously needed to be more work in awareness raising and bringing the various agencies and groups together.

The PCC indicated that from April 2015 he would become responsible for the commissioning of victim support services so would take these issues into account as part of that process.

Members questioned the hate crime incidents reported in people's own homes and whether these would be recorded as domestic abuse. Officers indicated that this was not known.

There was reference to a hate crime incident referred to the Police, where the victim was given an appointment with an officer for the following day rather than an officer attending what was considered to be a serious incident that day. The Local Police Representative, Chief Superintendent Lang, commented that the Police did use an appointment system; it was the best way of managing their workload. The police had to make judgement calls every day and people should not presume they did not take such incidents seriously, officers did. External events had heightened the situation and the force was responding accordingly, however, it now had 400 less officers than five years ago to deal with the existing workload.

The meeting then moved on to the presentation by Inspector Maddison. The Chair thanked Members and officers for their comments.

### **Recommended**

That the outcomes of the survey be noted.

## **126. Hate Crime Investigation - Second Evidence Gathering Session - Police Response to Hate Crime Incidents**

Inspector Maddison of the Partnerships and Communities Team gave a presentation to the Committee outlining the Cleveland Constabulary's response to hate crimes in general. The key points highlighted were as follows: -

- All the functions relating to hate crime had recently been centralised within the Partnerships and Communities Team.
- There was a specific officer dealing with hate crime.
- Officers had found that when dealing with hate crime issues attending 'non-uniformed' assisted with the team's perception in the community.
- The team were not responsible for progressing prosecutions which greatly assisted in their work with community groups.
- There were a number of forces around the country withdrawing from the system of reporting centres as they were simply not being used by the community.
- People's perception of what is and is not hate crime often differed greatly. Officers were finding some victims seeing it more as bullying.
- The Inspector analysed all incidents of hate crime reported throughout the force area; this was the only area of reported crime that had this level of scrutiny.
- Following work with community groups, the level of reported disability hate crime increased by over 1000% as people became aware of what could be considered as hate crime.
- Hate crime related to religion and beliefs had increased by 400% in recent months; again through the education of individuals and officers on the difference between religious rather than race hate crime.
- A lot of race hate crime centred around drunken arguments where race was thrown into the mix.
- The Police were promoting the 101 telephone number for reporting hate crime incidents where an individual was not at risk of violence or harm. There were also other avenues such as 'True Vision' part of the national website 'report-it.org.uk'. Cleveland had, however, only received two referrals through the website in the past twelve months.
- For prosecutions, there was a specific lawyer with the CPS for dealing with such cases. There was also the use of Personal Impact Statements when issues went to court for victims to highlight the impact upon them.
- If there was a hate crime element to a crime, judges could implement a sentence uplift increasing the sentence handed down to those convicted.
- While there currently wasn't an age hate crime element to the Partnerships and Communities Team's work, they did look at crimes to see if there was an age element such as rogue traders preying on the elderly.

- The Inspector promoted the 'clevelandconnected.co.uk' website which was Cleveland Police's community connections website for sharing information relevant to local communities.
- There was a Hate Crime Champions Group which was used to disseminate information to community groups on what was and wasn't hate crime and how to report it.

The Chair questioned the issue of arguments taking on a hate crime element and whether this was actually hate crime. The Chair was also concerned at the use of sentence uplift commenting that whatever the offence was, was not the issue simply ensuring perpetrators were punished. The Inspector commented that the law allowed the uplift and it was there to be used as a deterrent.

The Chair asked of the hate crime training extended to Special Constables. The Chief Superintendent indicated that he did not know, however, he would become responsible for the training of Special Constables from the end of the month and would look to including hate crime training if it was not already part of their training package.

A Member referred to issues with right wing groups in his ward and asked what steps could be taken to disrupt such groups, particularly during election time. Another Member questioned if there was any link between the reduction in the number of officers and the attendance at hate crime incidents. The Chief Superintendent stressed that it was important to ensure that any and all incidents were reported. There had been issues in the past with right wing groups but these had died down, though the Police were aware they were beginning to rise again.

A Member expressed some reservations at the use of the appointment system for those that had experienced hate crime incidents. The Inspector commented that the appointments system was widely used throughout the force to maximise officer time. An appointment would be used for a 'past' event and not something ongoing. When officers spoke to groups, they advised them when reporting hate crime incidents to say that what it was and not, for example, someone is throwing stones at my house. The Chief Superintendent added that if an incident was serious and ongoing, then officers would respond.

The Chair thanked the Police representatives for the informative presentation.

### **Recommended**

That the presentation and comments be noted.

## **127. Hate Crime Investigation - Second Evidence Gathering Session - Prosecuting Hate Crime**

John Dilworth, Deputy Chief Crown Prosecutor for CPS (Crown Prosecution



Service) North East, gave a presentation to the Committee on how the CPS approached hate crime as part of its work in with the Police. The presentation highlighted the following key points: -

- The CPS would give early advice in complex cases and specifically prosecution advice on hate crime incidents.
- Sufficient evidence was required to provide a realistic prospect of conviction and in racially and religiously aggravated offences, both elements had to be proved.
- Section 145 of the Criminal Justice Act 2003 indicated that where an offence was proved and there was a racial or religious element, then the court must provide an uplift to the sentence given.
- Age related crime was also included if it was seen as being an aggravating element to the crime.
- Through the Victims Code, victims were allowed to read a statement to court on how the crime had affected them.
- Courts had sentencing guidelines to provide some consistency to sentences; the CPS didn't recommend sentences.
- There was constant review of CPS decisions to prosecute or not to prosecute.

Members referred to the problems often experienced by witnesses being in the same room as the perpetrators of hate crime against them and asked if there was anything that could be done to separate them in different rooms. Mr Dilworth commented that this could and had been a problem in the past particularly with small court rooms. There were some constrictions in the use of courts rooms, for example, the nearest fully accessible court room for both disabled witnesses and defendants was Preston.

The Chair thanked the Deputy Chief Crown Prosecutor for his presentation and comments.

### **Recommended**

That the presentation and comments be noted.

## **128. Hate Crime Investigation - Second Evidence Gathering Session - Housing Providers response to Hate Crime**

Yasmin Khan, Director of the Halo Project Charity, was present at the meeting and commented on the housing needs of the victims of hate crime. The Director commented that the working relationship between associations and support groups with the Police needed to be strengthened. There was a partnership group set up in Hartlepool to provide independent advice but this hadn't met since October 2014.

There were some specific problems being experienced by small business owners/operators in the town and these particularly related to late night opening when customers had been drinking. There had also been some

local tensions around the opening of the Mosque and the Salaam Centre.

With many of the groups that the project worked with there was a lack of awareness of what race crime was with many not knowing it was against the law. It was correct that the reporting centres were underutilised but most groups did not know they were there and what they were for.

In relation to Police training, the Director commented that the training was of a good quality and some of the officers were very passionate about this type of crime but that was not always reflected in the officers that may attend an incident.

More could be done through the resident associations that most social landlords had to promote community building. There could also be some consolidation of the various partnerships that worked in this area to streamline the advice and support available. More hate crime champions would also be a help through the various service sectors to assist those experiencing hate crime issues in their community. There had, however, been a diminishing of support networks in the community following the cuts to local services over recent years and in many areas these networks simply didn't exist anymore.

There were often tensions within communities when approaching elections and due to external international events; this had been noticeable recently. It was noticeable that women from BME (black and minority ethnic) groups were feeling more vulnerable in their communities. This had also been noticeable in places where they should feel safe such as women's refuges.

There were specific issues regarding the placement of families from vulnerable groups in local communities where there was little or no support. This was an issue that social and private landlords needed to address.

A Member indicated that after speaking to some of the business owners referred to, some commented that they saw some of these issues as an occupational hazard and didn't report them. They had been encouraged to report the issues as building up an evidence base was the only way to address some of the issues, but many were reluctant. The Director commented that there were other problems in the town not related to drunken behaviour. Additional late night patrols would help in deterring much of this behaviour. Landlords could also help by tackling perpetrators in the community by using the sanctions available under their tenancy agreements.

The Chair thanked Director of the Halo Project Charity for her input to the meeting.

### **Recommended**

That the comments be noted.

## **129. Safer Hartlepool Partnership Performance – Quarter 2** *(Head of Community Safety and Engagement)*

The Head of Community Safety and Engagement provided an overview of Safer Hartlepool Partnership performance for Quarter 2 – July 2014 to September 2014.

### **Recommended**

That the report be noted.

## **130. Safer Hartlepool Partnership - Strategic Assessment 2014 and Community Safety Plan 2014-17 (Year 2)** *(Director of Regeneration and Neighbourhoods)*

The Chair requested that the Strategic Assessment and Community Safety Plan items on the agenda be considered together by the Committee.

The Community Safety Research Officer gave a presentation to the Committee on the Safer Hartlepool Partnership Strategic Assessment for 2014. The presentation highlighted the following key points: -

- Despite the reduction in crime, the crime rate in Hartlepool was still above the national average and the second highest rate in the Cleveland force area with the end of year projection being a 16.8% increase
- ASB (Anti-Social Behaviour) increased by 1.4%, second highest rate in Cleveland with the end of year projections currently showing a 5.4% increase.
- Secondary deliberate fires had increased by 13% with rates remaining above the national average.
- The public's perceptions of ASB and drug dealing have deteriorated.
- Half of all recorded crime is acquisitive crime, with more than one quarter being shoplifting
- Violence had reduced by 7.1%, but still accounted for 18% of all recorded crime with more than one third of offences being domestic related. Emergency hospital admissions for violence were almost double the national average.
- There were clear links between violence and the night time economy with almost half of all assault presentations to the minor injuries unit being alcohol related.
- Organised crime groups operate in Hartlepool, mainly concerned in the supply of drugs.
- More than half of all anti-social behaviour incidents were reported in the Victoria, Headland and Harbour and Manor House wards.
- The number of environmental anti-social behaviour incidents recorded by the Police had reduced by 40.8%.
- Hate crimes and incidents reported to the police had reduced by 10% and 14.4% respectively and links continue to exist between the

occurrence of anti-social behaviour and hate crime offences, particularly amongst male adults and juveniles.

- During the assessment period there was more than 3,600 victims of crime in Hartlepool with females being at a greater risk of repeat offences, particularly in relation to domestic violence and abuse. Young males were most vulnerable to alcohol related violence. Individuals aged 25 to 34 years were at the greatest risk of walk in / insecure burglaries.
- Perceptions regarding crime and anti-social behaviour remained much higher in the most disadvantaged communities. The percentage of people who perceived there to be a high level of anti social behaviour in their area increased to 8.5% compared to 4.7% in the previous year.
- Almost two thirds of recorded crime and anti-social behaviour occur in the five most deprived wards: Headland and Harbour, Victoria, De Bruce, Manor House and Jesmond.
- The cost of alcohol misuse in Hartlepool equates to £459 per head of population. Alcohol related hospital admissions rates in Hartlepool remained above the regional average. The number of people dependant on drugs in Hartlepool was twice the national average.
- The proven re-offending rate in Hartlepool remained amongst the highest in the country. Based on crime data recorded during the assessment period, a total of 1320 offenders were detected to more than 2600 offences, with 491 individuals having committed two or more offences. These individuals were detected to 1795 offences, accounting for 68% of all detected crime and an average of 4 offences per individual.
- Re-offending is prolific with 9% of detected crime in Hartlepool committed by twelve individuals.
- The Safer Hartlepool Partnership was required to publish its annual Community Safety Plan 2015 – 2016 by 1st April 2015. Linked to the existing strategic objectives for 2014 – 2017 and based upon the analysis and key findings contained in the document, the priorities set out had been agreed by the Safer Hartlepool Partnership.

The Head of Community Safety and Engagement also sought the Committee's comments on Year 2 of the Community Safety Plan 2014-17. The current Community Safety Plan published in 2014 outlined the Safer Hartlepool Partnership's strategic objectives for a three year period, with a requirement to refresh the plan on an annual basis following completion of the annual strategic assessment. This was the process currently being undertaken by the Partnership. Members were asked to contact the Head of Community Safety and Engagement directly with any specific questions they may have in relation to the plan.

Members commented on the reoffending statistics quoted in the presentation and particularly the percentage of reoffenders over 18 years of age. The Community Safety Research Officer commented that around 28% of all offenders offended more than once leading to the high rates reported. Members queried if the reductions in Community Policing would have an effect on the crime rates. The Community Safety Research Officer

commented that they did expect a rise in the statistics during the next quarter but could not state that this would be all down to the reductions in community policing.

The Chair commented that he would pursue the issue of hate crime champions following the discussions during the meeting.

The Chair thanked the officers for their informative presentation.

**Recommended**

1. That the Strategic Assessment 2014 and proposed annual priorities 2015-16 be received and the comments noted.
2. That the draft Community Safety Plan (Year 2) be received.

**131. Minutes of recent meeting of Safer Hartlepool Partnership**

The minutes of the meetings of the Safer Hartlepool Partnership held on 12<sup>th</sup> September 2014 and 21 November 2014 were submitted for the committee's information.

**Recommended**

That the minutes be received.

**132. Any Other Items which the Chairman Considers are Urgent**

None.

The meeting concluded at 12.35 pm

CHAIR

# **AUDIT AND GOVERNANCE COMMITTEE**

## **MINUTES AND DECISION RECORD**

5 MARCH 2015

The meeting commenced at 10.00 am in the Civic Centre, Hartlepool

**Present:**

Councillor: Ray Martin-Wells (In the Chair)

Councillors: Jim Ainslie, Rob Cook, Kaylee Sirs and George Springer.

Also present: Co-opted Members:

Norman Rollo and Clare Wilson.

Parish Councillor John Cambridge (Headland Parish Council)

In accordance with Council procedure rule 5.2; Councillor Paul Beck as substitute for Councillor Stephen Akers-Belcher.

Councillor Christopher Akers-Belcher, Leader of the Council.

Officers: Catherine Grimwood, Performance and Partnerships Manager  
Mark Smith, Head of Integrated Youth Support Services  
Joan Stevens, Scrutiny Manager  
David Cosgrove, Democratic Services Manager

### **133. Apologies for Absence**

Councillor Stephen Akers-Belcher. Co-opted Member Parish Councillor Brian Walker.

### **134. Declarations of Interest**

None.

### **135. Minutes of the meeting held on 19 February, 2015**

Deferred.

### **136. Data Quality Policy Review** *(Assistant Chief Executive)*

The Performance and Partnerships Manager reported on the review of the Council's Data Quality Policy and submitted an updated version of the policy for the Committee's consideration. The main content of the policy

had not changed significantly but the roles and responsibilities had been updated to reflect current arrangements including the role of the Finance and Policy Committee and its Chair in relation to data quality. The updated policy was submitted as an appendix to the report.

The Performance and Partnerships Manager indicated that currently the policy was reviewed and agreed by Members on an annual basis. However, the policy was now well developed and embedded within all departments and the annual review for the past few years had only suggested minor amendments. It is proposed, therefore, that the Data Quality Policy be reviewed by Committee on a three yearly basis. The policy would be reviewed on an annual basis by the Assistant Chief Executive and if during these annual reviews any major amendments were required it would be brought back to Committee for approval.

A Member of the public questioned if all staff had to sign the Data Protection Act. The Performance and Partnerships Manager indicated that all staff did not have to sign the Data Protection Act but were bound by the Council's policies on data protection which operated within the constraints of the Act.

#### **Recommended**

1. That the updated Data Quality Policy be noted. If, following consideration by Finance and Policy Committee, there were no amendments to the Policy, the amended Policy would be embedded across the Council.
2. That in the future the policy be reviewed by Committee on a three yearly basis unless any major amendments were required in the interim.

### **137. Risk Management Framework Review** (*Corporate Management Team*)

The Performance and Partnerships Manager reported on the Risk Management Framework which had been updated as part of an annual review to reflect the new committee system. The main content of the policy had not changed significantly but the roles and responsibilities had been updated to reflect current arrangements including the role of the Finance and Policy Committee and its Chair in relation to Risk Management. The updated Framework was submitted as an appendix to the report.

The Performance and Partnerships Manager indicated that currently the policy was reviewed and agreed by Members on an annual basis. However, the policy was now well developed and embedded within all departments and the annual review for the past few years had only suggested minor amendments. It is proposed, therefore, that the Risk Management Framework be reviewed by Committee on a three yearly basis. The framework would be reviewed on an annual basis by the Assistant Chief Executive and if during these annual reviews any major

amendments were required it would be brought back to Committee for approval.

**Recommended**

1. That the updated Risk Management Framework be noted. If, following consideration by Finance and Policy Committee, there were no amendments to the Framework, the amended Framework would be embedded across the Council.
2. That the policy be reviewed by Committee on a three yearly basis unless any major amendments are required in the interim.

**138. Standards Items**

None.

**139. Youth Justice Strategic Plan 2015-2016** (*Director of Child and Adult Services*)

The Head of Integrated Youth Support Services submitted a report which provided the Committee with an update on the progress made against the local Youth Justice Plan 2014-2015 and an opportunity to support the development of the Youth Justice Plan for 2015-2016.

The Head of Integrated Youth Support Services updated the Committee on performance in the main key areas set out in the report -

Early Intervention and Prevention  
 Re-offending  
 Remand and Custody  
 Restorative Justice  
 Risk and Vulnerability  
 Think Family  
 Maintain Standards  
 Effective Governance

The key challenges going forward into the plan for 2015-16 were detailed in the report. In relation to reoffending analysis highlighted that whilst around 40% of young offenders go on to further offend, a significant proportion of the crimes committed by local young people was due to the activities of a small number of persistent offenders who repeat offend; often in line with broader lifestyle choices relating to substance misuse and the need to generate income to maintain substance misuse levels. This cohort of persistent young offenders were predominantly young men who are aged between 15 and 17 years and reside within Hartlepool's most deprived neighbourhoods. These young people often had complex and deep rooted social problems which could include, amongst others, higher than average mental health needs, higher than average drug and alcohol use, low educational attainment and attachment and a history of family disruption.



Adequate resourcing and the appropriate use of resources underpin the ability of the Youth Offending Service to deliver high quality services. The service budget is made up of a central grant from the national Youth Justice Board and contributions from statutory partners (Health, HBC, Police and Probation). Funding levels from the national Youth Justice Board for 2015-2016 had not yet been confirmed although reductions in funding were anticipated due to broader national austerity measures.

The Head of Integrated Youth Support Services highlighted that the service also continued to contend with the financial risks inherent in remand costs following the decision to transfer financial responsibility to Local Authorities for the funding of all remands to Youth Detention Accommodation. In 2013 – 2014 Hartlepool young people incurred a total of 115 remand days at an approximate combined cost of £77,000 which at this stage represented an estimated £27,000 overspend against the monies allocated to Hartlepool.

It is anticipated that the remand budget would overspend again in 2014-2015 due to prolonged remand arrangements associated with high gravity alleged offences. It was essential that the service could demonstrate to magistrates going forward that there were robust and comprehensive alternatives in place to support reductions in the use of remands, where appropriate, in 2015-2016.

The priorities for 2015-16 following an initial review would suggest that the service and broader youth justice partnership would need to establish further improvement activities relating to:

- Sustaining the reduction of first time entrants to the youth justice system;
- Reducing further offending by young people who have committed crime;
- Demonstrating that there are robust alternatives in place to support reductions in the use of remands to custody whilst awaiting trial/sentencing;
- Ensuring that standards are maintained and improvement activities identified through the use of regular self audit activity;
- Embedding a whole family approach and improving our understanding of the difficulties faced by all members of the family and how this can contribute to anti-social and offending behaviour.;
- Ensuring the Youth Offending Strategic Management Board continues to be a well constituted, committed and knowledgeable Board which scrutinises Youth Offending Service performance.

The Head of Integrated Youth Support Services indicated that further scheduled planning and consultation activities would support the development of these priorities in the coming month. This would draw upon the appraisal of the Youth Justice Boards Regional Partnership Manager, self audit activities, the local Youth Offending Service Strategic Management Board alongside the views and opinions of service users, staff and key partners. The plan would also incorporate recommendations from the Safer Hartlepool Partnership Executive Group and the 'Face the Public'

event as well as last year's scrutiny investigation into re-offending in Hartlepool.

Members questioned what effect the transfer of the Youth Court from Hartlepool to Middlesbrough had had on the service. The Head of Integrated Youth Support Services indicated that there had been some anticipation of more punitive sentencing being handed out by the Middlesbrough bench due to the high levels of youth crime. A number of Hartlepool magistrates had transferred to the Middlesbrough bench and it was believed that their support for the interventions of the Youth Support Service had reduced this potential effect. There had also been no noticeable increase in non-attendance; which had been a major concern. Youth Service staff did, however, provide support to young offenders and their families to get them to court as it was better that they attended than receive further sanction for being in breach of any bail conditions.

There was concern expressed in relation to the provision of mental health services to young offenders, many of whom had higher than average need for mental health service intervention. The Head of Integrated Youth Support Services stated that mental health services were a priority and great emphasis was placed on the welfare of the young people coming into the service. There were established triage services across the Cleveland Police force area for young people following arrest and there was a mental health nurse based in Middlesbrough that could attend where required. The Youth Service also had strong links with CAMHS (Child and Adolescent Mental Health Services). A member commented that many of the mental health services utilised by the council for young people were stretched but that there were alternative groups established in the town which also provided support for young people with mental health issues and their families.

Members questioned what the services 'robust alternatives to custody' entailed. The Head of Integrated Youth Support Services indicated that a package of intensive supervision and surveillance could be implemented. Young offenders could be subject to up to 25 hours per week of supervision which could be tailored to disrupt their pattern of offending. They could also be required to regularly report to the Police station and would also be a priority for neighbourhood policing which would include regular visits to their home.

The Think Family approach which had underpinned a range of services was highlighted by a Member particularly in relation to the comment within the report that the services were being reorganised. The Head of Integrated Youth Support Services indicated that there had been a multi-disciplinary team dedicated to working with the identified troubled families. A decision had been made to return officers from the team to their service areas and embed the 'Think Family' approach across the service areas. The Council Leader stated that any service reconfigurations were required to be reported to Policy Committee, in this case the Finance and Policy Committee, for approval. The Chair sought the Committee's approval for

the formal referral of this issue to the Finance and Policy Committee and this was agreed.

Members questioned when the figures relating to 2014/15 would be available for comparison. The officer stated that the 2014/15 figures would be available towards the end of April. Members also highlighted the overspend in remand costs in 2013/14 and questioned what the position was anticipated to be for 2014/15. The Head of Integrated Youth Support Services indicated that the budget was likely to be overspent again. There were reduced numbers of remands, but much depended on the need for remand, the seriousness of the offence and the length of time needed for court assessments and reports. In serious crimes, the gathering of all the required evidence could lead to long delays.

A Member commented that 'we' often heard of individuals going to court and being sentenced and having the time spent in remand taken into account as part of their sentence. Was there the facility for local authorities that had paid for the remand costs to have those costs reimbursed in such situations. The Head of Integrated Youth Support Services stated that, unfortunately, there was no such facility. The Service did try to minimise the time any young offender spent in remand but sometimes this was unavoidable. Sometimes an insecure address may lead to remand, so the service worked with agencies to get a secure address for such offenders to reduce the need for remand. However, sometime remand could be unavoidable if, for example, a young person could not return home if the parent was the victim of the crime. Magistrates when considering remand had to take into account the best interests of the community as well as those of the young person.

The detailed actions behind the general priorities quoted within the report were questioned. The Head of Integrated Youth Support Services indicated that they were very extensive but could be supplied if required. Members requested some general details of the actions rather than the fully detailed document.

Members of the public also referred to the issue of remand costs in cases when remand was considered as part of the tariff given in sentencing offenders. A Member of the public questioned the number of community orders issued in Hartlepool and the numbers of young people where low educational attachment had been identified as an issue. The Head of Integrated Youth Support Services stated that he did not have those figures to hand but that they could be supplied. The Chair asked that they be circulated as an addendum to the minutes of the meeting. The Head of Integrated Youth Support Services indicated that ensuring that young people were in education or training was a key priority.

A Member of the public referred to the monitoring of bailed offenders by the Neighbourhood Police Officers commenting that following the cuts to the force, the public were not seeing Neighbourhood Officers as much as they did previously. The Chair commented that this was a question more

appropriate for the Safer Hartlepool Partnership.

The issue of reparation through the Community Payback Scheme was also raised in the meeting. Members commented that they had seen the positive benefits of the scheme for the community. The Head of Integrated Youth Support Services stated that where there was an identifiable victim, they were given the opportunity for a face to face meeting and / or involvement in the restorative system. This work was undertaken by the Children's Society which was nationally recognised for this work.

#### **Recommended**

1. That the progress made against the local Youth Justice Plan (2014-2015) be noted.
2. That the Committee's comments in relation to the development of the Youth Justice Plan for 2015-2016 be noted.
3. That the reconfiguration of Think Family services within the Child and Adult Services department be referred to the Finance and Policy Committee.
4. That further details be provided on the actions that underpinned the service priorities set out in the report.

### **140. Any Other Items which the Chairman Considers are Urgent**

The Chair invited Members to view the training DVD produced by Cleveland Police in relation to Disability Hate Crime following the close of the meeting. Members had, at the meeting on 19 February, 2015 asked the Police and Crime Commissioner if they could view the training film and the PCC had agreed to that. The Scrutiny Manager stated that the Police had indicated that the DVD could only be shown to the Members of the Committee as it was not designed for public viewing. The Scrutiny Manager also advised Members that the DVD was very direct in addressing the issues and could prove to be uncomfortable viewing for some.

The meeting concluded at 10.50 am.

CHAIR

# AUDIT AND GOVERNANCE COMMITTEE

19 March 2015



**Report of:** Chief Finance Officer

**Subject:** MAZARS REPORT- CERTIFICATION OF  
CLAIMS AND RETURNS 2013/14

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## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit and Governance Committee that arrangements have been made for representatives from Mazars to be in attendance at this meeting, to present the content of the report Certification of Claims and Returns 2013/14.

## 2. BACKGROUND

- 2.1 As the Council's appointed auditor, Mazars act as an agent of the Audit Commission to certify specified claims and returns. The Audit Commission, in consultation with the grant-paying bodies, sets out a programme of work in the form of Certification Instructions (CIs) that they must follow.

## 3. FINDINGS OF MAZARS

- 3.1 Details of key messages are included in the main body of the report attached as Appendix 1.

## 4. RECOMMENDATIONS

- 4.1 That the Audit and Governance Committee:
- i. Note the report of Mazars.

## 5. REASON FOR RECOMMENDATIONS

- 5.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.

## 6. BACKGROUND PAPERS

- 6.1 Audit Completion Report.

**7. CONTACT OFFICER**

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# Hartlepool Borough Council

## Certification of claims and returns

Annual report 2013/14



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*Our reports are prepared in the context of the Audit Commission’s ‘Statement of responsibilities of auditors and audited bodies.’ Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.*



## 01

# Background

Hartlepool Borough Council (the Council) receives more than £200 million in funding from various grant-paying government departments. These departments attach conditions and restrictions to these grants which the Council must meet otherwise funding may be withdrawn or clawed-back.

It is therefore important that the Council can demonstrate that it:

- has put in place adequate arrangements to prepare and authorise each claim and return; and
- can evidence that it has met the terms and conditions put in place by the grant paying body for each claim and return.

## The scope of our work

As the Council's appointed auditor, we act as an agent of the Audit Commission to certify specified claims and returns.

The Audit Commission, in consultation with the grant-paying bodies, sets out a programme of work in the form of Certification Instructions (CIs) that we must follow. It also sets an overall framework under which we carry out our certification work:

- for claims and returns below £125,000 the Audit Commission does not make certification arrangements and as such we are not required to carry out any certification work;
- for claims and returns between £125,000 and £500,000, the Audit Commission requires us to undertake limited tests to ensure that entries on the claim form agree with underlying records; and
- for claims and returns over £500,000, we assess the control environment the Council has put in place for preparing the claim to decide whether we can place reliance on these arrangements. Where we can place reliance on the Council's arrangements we undertake limited testing to ensure that entries on the claim form agree with underlying records (as above).

Where we cannot place reliance on the Council's control environment or the CI does not permit it, we carry out the full programme of testing in the Audit Commission's CI.

During the year we have also been engaged directly by the Council to undertake assurance work on the Teachers' Pensions return. As this engagement is outside of the Audit Commission's regime we have reported separately to officers on the outcome of this work (see also Appendix A).

## Our certificate

On completion of the specified work we issue a certificate, the wording of which depends on the level of work we have performed on each claim. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

# Findings

## The Council's control environment

As required by the Audit Commission's CIs, we assess the control environment for claims and returns.

However there was only one return subject to certification under the Audit Commission regime this year; the Housing Benefits subsidy return where the testing approach is pre-set, being agreed between the Audit Commission and the grant-paying body, the Department for Work and Pensions.

## Amendments and Qualifications

Appendix A to this report provides further details of the returns certified in 2013/14 compared to 2012/13.

We issued a qualification letter in respect of the Housing Benefits subsidy return due to extrapolated errors in relation to the misclassification of overpayments. This is an historic issue common to all councils due to the complexity of the benefits system and the Council has continued to work to address this issue.

The Department for Work and Pensions has subsequently accepted the impact of the extrapolated errors we reported in respect of the misclassification of overpayments (between those classed as 'eligible' and those attributable to the Council). Due to the way overpayment thresholds are calculated, this has resulted in a small increase in the subsidy payable to the Council.

We are grateful to the officers of the Council, in particular for the Housing Benefits subsidy return; their continued cooperation and prompt responses to queries is appreciated.

## Certification fees

For 2013/14, the total fees charged for certification work was £13,729. This represents a reduction on fees charged in previous years (£24,500) as a result of:

- a reduction in the number of claims and returns for which the Audit Commission has made certification arrangements;
- the Audit Commission setting the scale fee anticipated for the Housing Benefits subsidy return, based on the fees charged in previous years and also further reduced to take into account the end of Council Tax benefits.

A breakdown of the fees charged in 2013/14 compared to 2012/13 is included at Appendix A.

# Appendix A – Summary of certified claims and returns

## Claims and returns between £125,000 and £500,000

Claim or return	Value	2012/13 fee	2013/14 fee	Reasons for significant movement	Amended	Qualified
None						

## Claims and returns above £500,000

Claim or return	Value 2013/14	2012/13 fee	2013/14 fee	Reasons for significant movement	Amended	Qualified
Housing Benefits subsidy return	£48,342,223	£20,960	£13,729	Scale fee set by the Audit Commission based on the previous year's fee and also reduced to take into the account of the end of Council Tax benefits.	Yes	Yes*
National non-domestic rates return	n/a	£1,425	n/a	Not applicable – no longer a requirement for certification.	n/a	n/a
Teachers' pensions return	£27,519,794	£2,115	n/a	Not applicable – no longer a requirement for certification under the Audit Commission regime.**	n/a	n/a
<b>Total</b>	<b>£75,862,017</b>	<b>£24,500</b>	<b>£13,729</b>			

**\*Housing Benefits subsidy return:** the grant-paying body, the Department for Work and Pensions has subsequently applied the extrapolated errors reported in our qualification letter which has, due to the thresholds for overpayments, resulted in an increase in subsidy owed to the Council of £6,045.

**\*\*Teachers' pensions return:** as indicated earlier in this report, this return is now outside of the Audit Commission regime and we were engaged by the Council directly to carry out this work in November. This resulted in an unqualified return being certified. The fee for this work was £2,000.

# AUDIT AND GOVERNANCE COMMITTEE

19 March 2015



**Report of:** Head of Audit and Governance

**Subject:** PUBLIC SECTOR INTERNAL AUDIT STANDARDS

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## 1. PURPOSE OF REPORT

- 1.1 To update members on the work undertaken by the Head of Audit and Governance regarding Public Sector Internal Audit Standards (PSIAS) and the resulting changes to working practices. To enable Members to consider and agree the relevant definitions used in respect of the internal audit framework. To enable Members to consider and approve a new Internal Audit Charter and Strategy.

## 2. BACKGROUND

- 2.1 The standards for internal audit services in local government are set by the Chartered Institute of Public Finance and Accountancy (CIPFA). From 1 April 2013 CIPFA, together with other standard setters across the public sector, adopted new standards for internal audit. These standards comply with the international standards issued by the Institute of Internal Auditors (IIA) and they replace the Code of Practice for Internal Audit in Local Government in England and Wales (2006). Since the standards were adopted CIPFA has issued further guidance in the form of an application note. The application note includes a checklist to assist internal audit practitioners to review and update working practices.
- 2.2 The objectives of the PSIAS are to;
- define the nature of internal auditing within the UK public sector;
  - set basic principles for carrying out internal audit work;
  - establish a framework for providing internal audit services, which add value to the organisation being audited, leading to improved organisational processes and operations;
  - establish the basis for the evaluation of internal audit performance so as to help deliver ongoing improvements.

### 2.3 The PSIAS defines internal audit as follows.

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

### 2.4 The PSIAS recognises that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive (in this Authority the Head of Audit and Governance), to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

### 2.5 To comply with the PSIAS, HBC is required to adopt an audit charter and strategy setting out the purpose, authority and responsibility of internal audit. HBC should also define certain elements of the internal audit framework including the “board”, “senior management” and the “chief audit executive”.

### 2.6 The chief audit executive is also required to develop and maintain a quality assurance and improvement programme. This programme should consist of both internal and external assessments. Internal assessments should include:

- ongoing performance monitoring of internal audit activity
- periodic self-assessments of internal audit working practices.

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

## 3.0 DEFINITIONS

### 3.1 The PSIAS includes reference to the roles and responsibilities of the “board” and “senior management”. Each organisation is required to define these terms in the context of its own governance arrangements. It is proposed that for the PSIAS these are defined as follows:

“Board” – this should be taken to be the Audit and Governance Committee given its responsibilities in relation to internal audit standards and activities.

“Senior Management” – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Chief Finance Officer in his role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to the Chief Executive, Assistant Chief Executive and Chief Solicitor, acting individually or collectively in their statutory roles at HBC.

### 3.2 The standards also refer to the “chief audit executive”. For HBC this is taken to be the Head of Audit and Governance.

## **4. RECOMMENDATIONS**

4.1 The recommendations of the report are that:

- (i) Members note the requirements of the new Public Sector Internal Audit Standards and the work being undertaken to review and update internal audit working practices.
- (ii) Members consider and agree the relevant definitions used in respect of the internal audit framework
- (iii) Members consider and approve the new Internal Audit Charter and Strategy.

## **5. REASON FOR RECOMMENDATIONS**

5.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it receives assurance that the Internal Audit is provided in accordance with professional standards and guidelines.

## **6. BACKGROUND PAPERS**

6.1 Public Sector Internal Audit Standards.

## **7. CONTACT OFFICER**

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# INTERNAL AUDIT CHARTER



**HARTLEPOOL BOROUGH COUNCIL****INTERNAL AUDIT CHARTER****1 Introduction**

- 1.1 There is a statutory duty on Hartlepool Borough Council (HBC) to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2013 CIPFA adopted new Public Sector Internal Audit Standards (PSIAS) compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at HBC will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and HBC's constitution, regulations and governance arrangements.

**2 Definitions**

- 2.1 The standards include reference to the roles and responsibilities of the "board" and "senior management". Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the PSIAS these terms are defined as follows at HBC.

"Board" – the Audit and Governance Committee fulfils the responsibilities of the board in relation to internal audit standards and activities.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Chief Finance Officer in his role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to the Chief Executive, Assistant Chief Executive and Chief Solicitor, acting individually or collectively in their statutory roles at HBC.

- 2.2 The standards also refer to the "chief audit executive". This is taken to be the Head of Audit and Governance.

**3 Application of the standards**

- 3.1 The PSIAS defines internal audit as follows.

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

- 3.2 HBC acknowledges the mandatory nature of this definition and confirms it reflects the purpose of internal audit. HBC also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS.

## **4 Scope of internal audit activities**

- 4.1 The scope of internal audit work will encompass HBC’s entire control environment, comprising its systems of governance, risk management, and control.
- 4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Audit and Governance, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

## **5 Responsibilities and objectives**

- 5.1 The Head of Audit and Governance is required to provide an annual report to the Audit and Governance Committee. The report will be used by the Committee to inform its consideration of HBC’s annual governance statement. The report will include:
- the Head of Audit and Governance’s opinion on the adequacy and effectiveness of HBC’s framework of governance, risk management, and control;
  - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity);
  - any particular control weakness judged to be relevant to the preparation of the annual governance statement;
  - a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies;
  - an overall summary of internal audit performance and the results of the internal audit service’s quality assurance and improvement programme;
  - a statement on conformance with the PSIAS.
- 5.2 To support the opinion the Head of Audit and Governance will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the internal audit service should:
- adopt an overall strategy setting out how the service will be delivered in accordance with this Charter;

- draw up an indicative risk based audit plan on an annual basis which takes account of the requirements of the Charter, the strategy, and proper practice.

5.3 In undertaking this work, the responsibilities of the internal audit service will include:

- providing assurance to the Committee and senior management on the effective operation of governance arrangements and the internal control environment operating at HBC;
- objectively examining, evaluating and reporting on the probity, legality and value for money of HBC's arrangements for service delivery;
- reviewing HBC's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement;
- helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing;
- acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by Members, officers, and the public and reporting findings of those investigations to the relevant officers and Members as appropriate for action;
- advising HBC on relevant counter fraud and corruption policies and measures.

5.4 The Head of Audit and Governance will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example HBC policy and/or legal or professional standards and guidance.

5.5 In undertaking their work, internal auditors should have regard to:

- the code of ethics in the PSIAS;
- the codes of any professional bodies of which they are members;
- standards of conduct required by HBC;
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

## 6 Organisational independence

6.1 It is the responsibility of senior management to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

6.2 Audit advice and actions agreed will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.

6.3 The Head of Audit and Governance will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:

- rotation of audit staff;
- ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice.

## **7 Accountability, reporting lines, and relationships**

7.1 In its role in providing an independent assurance function, Internal Audit has direct access to Members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:

- Council or any committee (including the Audit and Governance Committee);
- Chief Executive / Assistant Chief Executive;
- Chief Finance Officer – (s151 officer);
- Monitoring Officer.

7.2 The Chief Finance Officer (as s151 officer) has a statutory responsibility for ensuring HBC has an effective system of internal audit in place. In recognition of this, a protocol has been drawn up setting out the relationship between internal audit and the Chief Finance Officer.

7.3 The Head of Audit and Governance will report independently to the Audit and Governance Committee on:

- proposed allocations of audit resources;
- any significant risks and control issues identified through audit work;
- his/her annual opinion on HBC's control environment.

7.4 The Head of Audit and Governance will informally meet in private with members of the Audit and Governance Committee, or the committee as a whole as required. Meetings may be requested by committee members or the Head of Audit and Governance.

7.5 The Audit and Governance Committee will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The committee will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary.

## **8 Fraud and consultancy services**

8.1 The primary role of internal audit is to provide assurance services to HBC. However, the service may also be required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.

- 8.2 The prevention and detection of fraud and corruption is the responsibility of management. However, all instances of suspected fraud and corruption should be notified to the Head of Audit and Governance, who will decide on the course of action to be taken in consultation with the relevant principal officer and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by internal audit.
- 8.3 Where appropriate, internal audit may carry out other consultancy related work. The scope of such work will be determined in conjunction with relevant principal officers and/or service managers and be subject to HBC contract procedure rules and budgetary management arrangements. Such work will only be carried out where there are sufficient resources and skills within internal audit and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Audit and Governance Committee.

## **9 Resourcing**

- 9.1 As part of the audit planning process the Head of Audit and Governance will review the resources available to internal audit, to ensure that they are sufficient to meet the requirements to provide an opinion on HBC's control environment. Where resources are judged to be insufficient, recommendations to address the shortfall will be made to the Chief Finance Officer, and to the Audit and Governance Committee.

## **10 Rights of access**

- 10.1 To enable it to fulfil its responsibilities, HBC gives internal auditors the authority to:
- enter all HBC premises or land, at any reasonable time;
  - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of HBC;
  - have access to any assets of HBC and to require any employee of HBC to produce any assets under their control;
  - be able to require from any employee or Member of HBC any information or explanation necessary for the purposes of audit.
- 10.2 Principal Officers and service managers are responsible for ensuring that the rights of internal audit staff to access premises, records, and personnel are preserved, including where HBC's services are provided through partnership arrangements, contracts or other means.

## **11 Review**

- 11.1 This charter will be reviewed periodically by the Head of Audit and Governance. Any recommendations for change will be made to the Chief Finance Officer and the Audit and Governance Committee for Approval.



# HARTLEPOOL BOROUGH COUNCIL

## INTERNAL AUDIT STRATEGY



## AUDIT STRATEGY

### Strategy Statement

The overall Strategy of Internal Audit is:

**“To deliver a risk-based audit plan in a professional, independent manner, to provide the organisation with a reliable and objective opinion on the level of assurance it can place upon the systems of internal controls, governance arrangements and the risk management framework in place, and to agree actions to improve it.”**

### 1 Statutory basis for Internal Audit

- 1.1 The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit (England) Regulations 2015 also require that effective internal audit to evaluate the effectiveness of its risk management, control and governance processes internal audit is undertaken in accordance with proper practices.

### 2 Definition and Objective

- 2.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- 2.2 To comply with the Accounts and Audit Regulations, Hartlepool Borough Council (HBC) completes an Annual Governance Statement to demonstrate the robustness of its arrangements, and Internal Audit will form an important part of providing this enhanced assurance. Internal Audit also has a role in advising managers in relation to issues within its remit, e.g. appropriate controls in new projects/developments.

### 3 Status

- 3.1 Internal Audit is responsible to the Chief Finance Officer, for line management purposes. However, Internal Audit is independent in its planning and operation, and has no responsibility for delivering or managing non-audit services.
- 3.2 The Head of Audit and Governance shall have direct access to the Head of Paid Service (Chief Executive), all levels of management and elected members. Internal Auditors shall have the authority to:
- Enter at all reasonable times any HBC establishment.
  - Have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary.
  - Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud.
  - Request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination.
  - Require any employee of HBC to produce cash, materials or any other HBC property in their possession or under their control.



- Access records belonging to third parties, such as contractors or partners, when required and appropriate.

#### **4 Delivery of the audit service**

4.1 The Head of Audit and Governance is responsible for delivering the audit service in accordance with its Charter. To ensure that this can be achieved, there are appropriate arrangements for:

- Determining and planning the work to be carried out (i.e. an audit plan based on an assessment of the risk);
- Providing the resources required to deliver the audit plan (principally the level of staff and external input), the necessary skills (both in general audit and technical areas) and support facilities (such as IT facilities, equipment and management and administration processes)

4.2 The Internal Audit service will be delivered on the basis of a Strategic Audit Plan which sets out the number of audit-days required for Internal Audit to adequately review the areas involved. The over-riding objective of this approach is to ensure that Internal Audit is able to present an opinion on the control environment by directing adequate resources based on the relative risks of the operations, resources and services involved, using a formal risk assessment process. The risk assessment process takes account of a range of strategic, corporate, service and operational risks (including those identified through the Risk Management process and by the external auditor) and the views of senior management on these issues. Where resources available are not considered by the Head of Audit and Governance to be adequate for such an opinion to be provided, this will be reported to the Chief Finance Officer.

4.3 The Plan balances the following requirements:

- The need to ensure the Audit Plan is completed to a good practice level (currently at least 90%);
- The need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control (on which External Audit will place reliance);
- The need to appropriately review other strategic and operational arrangements;
- The need to have uncommitted time available to deal with unplanned issues which may need to be investigated;
- To enable positive timely input to assist corporate and service developments.

4.4 A joint working arrangement with External Audit will be operated in order to ensure that Internal Audit resources are used as effectively as possible.

The Head of Audit and Governance will keep progress against the audit plan, and the content of the plan itself under review, in liaison with the Chief Finance Officer, and through monitoring corporate and service developments. Where there is a need for material changes to the plan (i.e. affecting over 20% of the planned assignments) a revised plan will be re-submitted to the Audit and Governance Committee for approval. The Audit and Governance Committee will also be advised of performance against the audit plan and on relevant indicators under the performance management framework.

4.5 Internal Audit will comply with Public Sector Internal Audit Standards (PSIAS) The PSIAS and CIPFA's local government application note for the standards represent

proper practice for internal audit in local government. Staff are also expected to comply with any other appropriate professional standards. The Head of Audit and Governance will ensure that there is an up to date Audit Manual in place setting out expected standards for the service, and will monitor compliance with these standards, including in relation to the planning, conduct and reporting of audit assignments. Relevant training will be provided to ensure auditors have the level of skills necessary to undertake their roles.

- 4.6 Where necessary to ensure an adequate, effective and professional audit service is provided; the Head of Audit and Governance will buy in resources from external providers to supplement internal resources. Internal Audit will aim to co-operate effectively with the external auditor and ensure that appropriate reliance can be placed on Internal Audit's activities.
- 4.7 The reporting approach for Internal Audit is set out in the audit manual and Internal Audit shall comply with this protocol as the most efficient method of delivering the outcomes of its work. In the delivery of each assignment, Internal Audit will look to agree practical actions based on the findings of the work and discuss these with management in order that management commit to an appropriate action plan for implementing any necessary improvements to the control environment.

## 5 Audit Environment

- 5.1 In order to ensure full and adequate audit coverage, the first step of audit planning will be the identification of the audit environment. This assessment will be made using knowledge, experience, discussion among the audit team, and liaising with finance and departmental directors.

## 6 Risk Assessment

- 6.1 Once the audit environment is identified, the Head of Audit and Governance will consider a risk assessment of each element of the environment. The Head of Audit and Governance will start audit planning by considering management's own assessment of risk, having first established that the risk register has been properly compiled and that it is a strong basis upon which to plan work. In order to assess the identified areas in terms of risk, the following factors have been adapted from CIPFA's risk assessment package to better fit the audit environment at Hartlepool:

- **System Factors**  
The stability and complexity of the system.
- **Managerial and Control Environment**  
Previous internal audit findings, client track record in responding, external audit comments, division of duties, perceived quality of staff, staff turnover and existence and quality of procedures.
- **Value of Transactions**  
The materiality of the total monetary value the population of the auditable area.
- **Volume of Transactions**  
The total population of transactions generated by the system.

- **Opinion Critical**

The overall impact on the internal control environment opinion.

- **Legal Penalties**

The consequences of weakness leading to legal action.

6.2 Every auditable area will be allocated a mark out of 10 for each factor. The total score for each auditable area will be ranked, with the highest scoring areas being those facing the greatest risk. The following risk scores will dictate whether the auditable areas are subject to audit annually or to be reassessed the following year:

- Score 250 or more: annual coverage
- Score 249 or less: reassess annually

## 7 Resourcing the Plan

- 7.1 The Head of Audit and Governance will calculate the anticipated resources needed for the period under question. The calculation starts with the total available days, based on the number of staff in post and taking account of any staff movements. From this figure, allowances for annual leave, bank holidays and anticipated sickness are deducted to arrive at the number of productive days available.
- 7.2 Having obtained the results of the risk assessment process and determined the resources at the disposal of the Head of Audit and Governance, an audit plan for the period in question will be prepared. The plan will include a contingency provision to provide for tasks and reviews that were not foreseen when the plan was made or for emerging risks. The Head of Audit and Governance will determine whether the resources available are sufficient to allow a robust opinion on the state of the internal control environment. If, in the opinion of the Head of Audit and Governance, there are insufficient resources available, this will be reported to the Chief Finance Officer and/or the Audit and Governance Committee.
- 7.3 The likely outcome of such a report might include the provision of additional resources to review the identified risks or an acceptance that an increased level of risk must be borne by the authority. The Chief Finance Officer and Audit and Governance Committee will approve the plan.

## 8 Monitoring and Controlling

- 8.1 Effective management of the delivery of the audit plan is fundamental to ensuring that sufficient audit coverage is achieved. Factors that are taken into account include the timing of specific audits during the course of the year and the allocation of audits to those staff with the appropriate skills and experience to complete the task.
- 8.2 To help monitor and control the plan, all audit staff are instructed to complete timesheets held the automated software package used. The timesheets are to be completed on a daily basis with the work undertaken during that period using the codes identified for each area of work as listed in the annual audit plan. Analysis of staff time is produced by the time recording system, which allows comparison of actual output against the audit plan at individual, team and total level. The Head of Audit and Governance will prepare a summary report for the Chief Finance Officer and Audit and Governance Committee, outlining major variations and their impact on the ability of Internal Audit to complete its planned work for the year, stating clearly what effect this may have on its ability to measure the robustness of the authority's overall internal control environment for the period.

## AUDIT AND GOVERNANCE COMMITTEE

**19 March 2015**



**Report of:** Head of Audit and Governance

**Subject:** INTERNAL AUDIT PLAN 2014/15 UPDATE

## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2014/15.

## 2. BACKGROUND

- 2.1 In order to ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan. Regular updates allow the Committee to form an opinion on the controls in operation within the Council. This in turn allows the Committee to fully review the Annual Governance Statement, which will be presented to a future meeting of the Committee, and after review, will form part of the statement of accounts of the Council.

### 3. PROPOSALS

- 3.1 That members consider the issues within the report in relation to their role in respect of the Councils governance arrangements. Table 1 of the report detailed below, sets out the school audits that have been completed and the recommendations made.

Table 1

Audit	Objectives	Recommendations	Agreed
St Helens Primary	Ensure school finance and governance arrangements are in line with best practice.	<p>- In line with best practice, the Whistleblowing Policy should be presented to Governors for consideration and be brought up to date on a three yearly cycle.</p> <p>- DBS clearance should be obtained for members of the Governing Body every three years.</p>	<p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.	Y

3.2 In terms of reporting internally at HBC, Internal Audit produces a draft report which includes a list of risks currently faced by the client in the area audited. It is the responsibility of the client to complete an action plan that details the actions proposed to mitigate those risks identified. Once the action plan has been provided to Internal Audit, it is the responsibility of the client to provide Internal Audit with evidence that any action has been implemented by an agreed date. The level of outstanding risk in each area audited is then reported to the Audit and Governance Committee.

3.3 The benefits of this reporting arrangement are that ownership of both the internal audit report and any resulting actions lie with the client. This reflects the fact that it is the responsibility of management to ensure adequate procedures are in place to manage risk within their areas of operation, making managers more risk aware in the performance of their duties. Greater assurance is gained that actions necessary to mitigate risk are implemented and less time is spent by both Internal Audit and management in ensuring audit reports are agreed. A greater breadth of assurance is given to management with the same Internal Audit resource and the approach to risk assessment mirrors the corporate approach to risk classification as recorded in covalent. Internal Audit can also demonstrate the benefit of the work it carries out in terms of the reduction of the risk faced by the Council.

3.4 Table 2 below summarises the assurance placed on those audits completed with more detail regarding each audit and the risks identified and action plans agreed provided in Appendix A.

Table 2

Audit	Assurance Level
ITU Concessionary Travel	Reasonable
Middleton Grange Shopping Centre	Reasonable
T World System Controls	Reasonable
Redundancies	Reasonable
Council Tax	Reasonable
Home Care Commissioned Services	Limited
Attendance Management Carers Leave	Limited
VAT	Reasonable
ITU Taxi Hire	No Assurance

3.5 ITU Taxi Hire has been judged as No Assurance. This was due to the fact that there was a lack of evidence to demonstrate that sufficient checks are undertaken to validate payments being made for journeys invoiced by the supplier or that supplier invoice calculations are correct prior to payment.

- Actions have been agreed that mitigate the risks identified and are in the process of being implemented, which will lead to reasonable assurance being placed in this area in the future.
- 3.6 Home Care Commissioned Services was rated as limited assurance. This was due to the fact that whilst monitoring the performance of the contract is undertaken by the Contracts and Commissioning Team on a rolling programme basis, there is no overall assurance mapping to identify those outcomes/HBC contract requirements that have not been assessed or where remedial action has been identified and a programme adopted to review these, based on the associated risks. Testing also identified some differences between the Individual Service Contract For the Provision of Domiciliary Care form and the Price Submission for the Provision of Domiciliary Care Services form. Actions have been agreed that mitigate the risks identified and are in the process of being implemented, which will lead to reasonable assurance being placed in this area in the future.
- 3.7 Attendance Management Carers Leave was rated as limited assurance. This was due to the fact that carers leave granted to employees is currently managed departmentally and not recorded on one central system, so it is not possible to check instances where carers leave has been granted to verify compliance with the policy. Actions have been agreed that mitigate the risks identified and are in the process of being implemented, which will lead to reasonable assurance being placed in this area in the future.
- 3.8 As well as completing the audits previously mentioned, Internal Audit staff have been involved with the following working groups:
- Information Governance Group.
  - Performance and Risk Management Group.
- 3.9 Table 3 below details the audits that were ongoing at the time of compiling the report.

Table 3

Audit	Objectives
Manor Residents Association/Who Cares North East	To give an opinion on the adequacy of the arrangements in place to manage and expend funding received from HBC.
Non Domestic Rates	Ensure adequate procedures are in place for the billing, collection and enforcement of the national non-domestic rate (NNDR) on billing authorities.
Rossmere Primary	Ensure school finance and governance arrangements are in line with best practice.
Car Parking	Ensure that all statutory requirements are met and income received is protected.
Empty Homes	Provide assurance that properties are selected according to consistent criteria and purchased and improved in a manner that ensures that the scheme is financially viable.
Recycling/Landfill	Ensure services comply with legislative requirements, reviewing contracts between the Authority and appointed recycling companies and review performance management data to ensure that data reported is accurate and timely.

Credit Card Payments	Identify the processes in place for ensuring compliance with the Payment Card Industry Data Security Standard (PCI DSS) and provide assurance that these processes effectively mitigated the risks.
St Hilda's Secondary	Ensure school finance and governance arrangements are in line with best practice.
Cash/Bank	Review the procedures and processes in place for cash security, cash (and other income) collection, banking and reconciliations.
Sexual Health Services	Ensure the provision of services comply with the Local Authorities (Public Health Functions and Entry to Premises by Local Health Watch Representatives) Regulations 2013.
Members Allowances	Ensure payments made in respect of allowances and expenses incurred are paid in accordance with the rates approved by Council and the Independent Remuneration Panel and are bona fide. Records are maintained in a secure manner to enable claims to be able to be validated. Allowances and expenses are published as per legislation.
Main Accounting System	Ensure final accounts are prepared that comply with all legislation, regulation, guidance and standards; Effective closedown procedures are in place to ensure that balances and assets are accurately reported in the statement of accounts in line with legislative / regulatory requirements; The financial ledger provides the data required to meet accounting standards; Data from feeder systems transferred to the financial ledger is bona fide, authorised, accurate and reconciled.
St John Vianney Primary	Ensure school finance and governance arrangements are in line with best practice.
Insurance	Ensure adequate procedures are in place in respect of the cover in needed.
Payroll	Payments made are accurate, timely and valid.
Smoking Cessation	Provide assurance that objectives in place are consistent with national guidance and local priorities, funding is well managed and monitored and risks attached to funding sources are recognised by all parties, services are commissioned efficiently and effectively with full regard to the national and local priorities, appropriate contracts /SLA's are in place with clear monitoring and reporting procedures in place and arrangements for managing the performance of the service ensures the achievement of strategic objectives.
Loans And Investments	Provide assurance that activities are consistent with legislative/regulatory requirements and practices are undertaken in line with CIPFA's Treasury Management Code of Practice.
S17 Welfare Payments	Ensure all payments are made in line with legislation and are adequately recorded.
Officers Expenses	Arrangements in place ensure that claims are valid, accurate, and appropriately authorised and the scheme is operated in line with legislative requirements and other HBC policies.
Purchase Card	Cards are not used inconsistently across the authority and the process achieves the anticipated benefits. Controls are correctly operated minimising the risk of fraudulent transactions. Cards are not used by unauthorised officers or officers who have not agreed to the terms and conditions of the card or without the correct restrictions being put in place leading to inappropriate transactions.

- 3.10 The work completed and currently ongoing is in line with expectations at this time of year, and audit coverage to date has allowed Mazars to place reliance on the scope and quality of work completed when meeting their requirements under the Audit Code of Practice.

## 4. RECOMMENDATIONS

- 4.1 It is recommended that Members note the contents of the report.

## **5. REASON FOR RECOMMENDATIONS**

- 5.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan.

## **6. BACKGROUND PAPERS**

- 6.1 Internal Audit Reports.

## **7. CONTACT OFFICER**


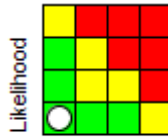
- 7.1 Noel Adamson  
Head of Audit and Governance  
Civic Centre  
Victoria Road  
Hartlepool  
T24 8AY

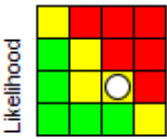
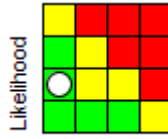
Tel: 01429 523173

Email: [noel.adamson@hartlepool.gov.uk](mailto:noel.adamson@hartlepool.gov.uk)





Appendix A



Audit		Objective		Assurance Level
<b>ITU Concessionary Travel</b>		Ensure adequate arrangements are in place to effectively manage the scheme.		<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
Replacement passes not charged for leading to a loss of income for the Authority. Income is not banked promptly or coded incorrectly.			The reasons for reissuing a pass are recorded in the Concessionary Fares database by Customer Services at the point of application. To enable budget reconciliation a report is to be requested from ACT providing a detailed breakdown. Once reports are received regular reconciliations will be performed.	



Audit		Objective		Assurance Level
<b>Middleton Grange Shopping Centre</b>		Ensure arrangements are in place that results in the Authority receiving what it is due under the contract terms and conditions.		<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
Incorrect income is received. Income is not received within the time restrictions detailed in the contract.			A meeting will be held with the Shopping centre Accountants & Head of Finance to discuss what information the Shopping Centre Manager can provide to verify the income figures. Once agreed this will be used (if possible) to agree the quarterly/annual income by the Finance Section.	

Audit	Objective			Assurance Level
<b>I World System Controls</b>	Provide assurance that controls are in place to manage application areas and, where possible, that these controls are working appropriately.			<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
No unmitigated risk identified.				

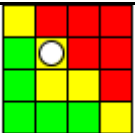
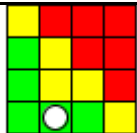
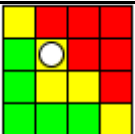
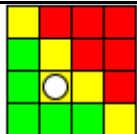
Audit	Objective			Assurance Level
<b>Redundancies</b>	HBC and legislative requirements are met.			<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
Polices are not up to date with all retirement legislation. Without adequate up to date retirement policies and procedures in place, employees will not be aware of their rights regarding flexible/early/ill health retirement. This may lead to inconsistent approach from employees.			Working towards framework.	



Audit	Objective			Assurance Level
<b>Council Tax</b>	All taxable properties are identified, assessed and recorded and records are accurately maintained; All persons liable for council tax and all discounts, exemptions, benefits and other allowances have been identified and correctly recorded.			<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>

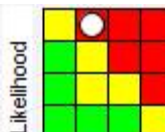
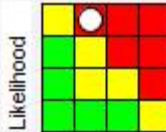
Ineffective collection may lead to failure to maximise revenue or errors in posting amounts received to the correct accounts.	 Likelihood Impact	Monthly analysis of credits will continue.	 Likelihood Impact
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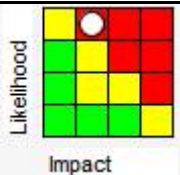
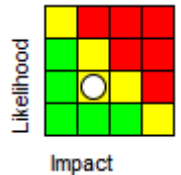
Audit	Objective			Assurance Level
Home Care Commissioned Services	Ensure commissioned homecare services are in line with Care Quality Commission and HBC requirements resulting in aims and objectives being met.			Limited
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Homecare may be paid for where a service is not provided/required resulting in additional cost to the service.		 Likelihood Impact	An implementation programme is underway for non-residential services on Controcc. As part of this plan a review will be undertaken to examine how to mitigate the potential for making over or under payments to providers. Current work is being carried out with providers to enable them to upload actuals data into Controcc (via MIT) to ensure accurate and timely data. Part of the verification process to use data will be checking against current contracts for individuals and ensuring data quality such as date of death – transfer to residential care etc. As a matter of principle the department is moving to payment directly to provider of commissioned domiciliary care similar the process for residential payments. This puts the onus through contractual requirements for the provider to cross check data and provide evidence to the contrary if payments are incorrect.	 Likelihood Impact

### 4.3

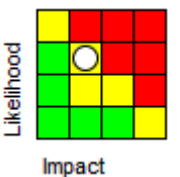
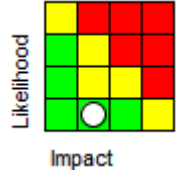
<p>Homecare may be paid for where a service is not provided/required resulting in additional cost to the service.</p>	<p>Likelihood</p>  <p>Impact</p>	<p>These forms are part of the current, dated system for management of commissioned services. Part of the implementation plan will review the relevance both contractually and operationally of the forms and identify a solution fit for purpose to support the process within Controcc.</p>	<p>Likelihood</p>  <p>Impact</p>
<p>Homecare may be paid for where a service is not provided/required resulting in additional cost to the service.</p>	<p>Likelihood</p>  <p>Impact</p>	<p>The department pays providers on actual service delivered not planned activity. Often the nature of individuals who use services and their circumstances can lead to ad hoc changes to care packages. This can lead to anomalies between actuals, planned and associated paperwork. As part of the implementation reports will be created in Controcc that can routinely check the differences between planned and actual packages and, within reasonable tolerances, identify where changes need to be made.</p> <p>Any newly created process will incorporate a robust authorisation process for planned activity (similar to the current processes for residential services and direct payments), this will include attributes around timeliness and accuracy. As with all personal budget commissioned services social work review and contribution review will form part of the quality assurance programme along with spot checks with providers. A full programme of cross checks will be created to ensure providers are not paid for service that is not delivered – for instance cross checks will be established to ensure transfers to residential care are picked up or cessation of service through interrogation of the case management system. Internal Audit will be involved in the sign off of these procedures to ensure the appropriate assurance. As a final back stop the contractual obligation will be placed on providers to provide robust evidence around delivery of care.</p>	<p>Likelihood</p>  <p>Impact</p>









Commissioned Homecare services may not be in line with Care Quality Commission and HBC requirements resulting in aims and objectives not being met.	 <p>Likelihood</p> <p>Impact</p>	The Commissioned Services Team will continue to monitor the 16 outcomes on a rolling program which commenced in 2012. Acknowledgement of resource issues and the impact of this on quality monitoring has made by the Head of Strategic Commissioning. A programme will be developed to ensure the remaining 8 outcomes are reviewed. Reviews are undertaken on individual packages by care management staff on almost a daily basis – all care managers have a good relationship with the commissioning team and any urgent issues are dealt with immediately through day to day management and the safeguarding framework.	 <p>Likelihood</p> <p>Impact</p>
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Audit	Objective			Assurance Level
<b>Attendance Management Carers Leave</b>	Adequate policies and procedures in place, reporting, recording and monitoring of carers leave across all departments is consistent and in line with policy requirements and data input and retention of documentation is in line with requirements.			<b>Limited</b>
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Non compliance with the carers leave policy may result in staff absences being noted as authorised carers leave when it should not be, resulting in payment of salary for that day(s) when this was not due. Employee carers leave history may be incorrect if carers leave is not recorded correctly.		 <p>Likelihood</p> <p>Impact</p>	The Leave Management Module for Resource Link will be developed at one point in the next 2 years (Resource Link Strategic Plan currently under revision due to delays in timescales). This will enable a central record of all leave including Carer's leave to be kept and monitored. In the meantime there is a revision to the Dependent's Leave Policy which will enable managers to record and retain records of approved Carer's/Dependent's Leave.	 <p>Likelihood</p> <p>Impact</p>

<p>There is no formally issued guidance for managers to inform them what the process for granting carers leave should be and what evidence or documentation they need to retain or where this should be stored.</p> <p>Employee carers leave history may be incorrect if carers leave is not recorded correctly.</p>		<p>The Leave Management Module for ResourceLink will be developed at one point in the next 2 years (Resource Link Strategic Plan currently under revision due to delays in timescales). This will enable a central record of all leave including Carer's leave to be kept and monitored. In the meantime there is a revision to the Dependent's Leave Policy which will enable managers to record and retain records of approved Carer's/Dependent's Leave.</p>	
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Audit	Objective			Assurance Level
VAT	Effective procedures are in place which ensures that relevant staff are aware of their responsibilities, there is compliance with VAT legislation and that efficient and effective operations maximise cash flow for the organisation.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				

Audit	Objective			Assurance Level
ITU Taxi Hire	Processes relating to the booking and recharging of taxi journeys including an analysis of journeys made and the costs incurred to help identify whether best value for the Authority is being achieved.			No Assurance
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Without adequate documentation in place to support the booking, inappropriate/incorrect charges may be incurred. Bookings/journeys may be for personal journeys.			<p>A revised booking process is to be compiled and implemented, departmental Managers are to update staff and advise staff to follow.</p> <p>Notify taxi company to take only ITU office bookings or those listed on the out of hours register.</p> <p>Invoices will not be paid for any bookings accepted other than those accepted by managers.</p>	

		Each directorate will be given a monthly booking update to be scrutinised by Managers. Acceptance of all charges to be made by managers to the ITU prior to the suppliers invoice being paid.	
Inappropriate/incorrect charges may be incurred.	 <p>Likelihood</p> <p>Impact</p>	New tender process/specification to be reviewed. ITU is to be notified of any deviation from initial booking. New booking process to be followed	 <p>Likelihood</p> <p>Impact</p>
Inappropriate/incorrect charges may be incurred.	 <p>Likelihood</p> <p>Impact</p>	ITU to only pay those with correct cost centre code/accepted by manager (Taxi company responsibility to ensure they have the correct code). New booking process to be followed.	 <p>Likelihood</p> <p>Impact</p>
Inappropriate/incorrect charges may be incurred.	 <p>Likelihood</p> <p>Impact</p>	A more rigorous reconciliation process between supplier invoice and Integra to be applied (Finance team to advise). New booking process to be followed.	 <p>Likelihood</p> <p>Impact</p>
Inappropriate/incorrect charges may be incurred.	 <p>Likelihood</p> <p>Impact</p>	A more rigorous reconciliation process between supplier invoice and Integra to be applied. Ensure only one invoice is raised by the supplier, analysed and processed by the ITU (Finance team to advise). New booking process to be followed.	 <p>Likelihood</p> <p>Impact</p>

# AUDIT AND GOVERNANCE COMMITTEE

19 March 2015



**Report of:** Head of Audit and Governance

**Subject:** INTERNAL AUDIT PLAN 2015/16

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## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the direction of internal audit activity, and to seek approval of the annual operational Internal Audit Plan for 2015/2016 (Appendix A).

## 2. BACKGROUND

- 2.1 Under the Accounts and Audit Regulations 2015, the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. At Hartlepool, the authority for ensuring this responsibility is met has been delegated to the Chief Finance Officer.
- 2.2 To accord with the new Public Sector Internal Audit Standards (PSIAS) and to assist in ensuring the objectives of Internal Audit are achieved, audit activity must be effectively planned to establish audit priorities and ensure the effective use of audit resources.
- 2.3 Given available audit resources, all aspects of the Council's systems and arrangements cannot be audited in one year. In recognition of this a Strategic Audit Plan has been prepared using a risk model based on the model accredited by the Chartered Institute of Public Finance and Accountancy, which factors include:
- System Factors
  - Managerial and Control environment
  - Value of transactions
  - Volume of transactions
  - Opinion critical
  - May incur legal penalties



- 2.4 The Strategic Audit Plan is produced in a way that ensures all relevant risk areas are covered. This allows the most relevant and comprehensive annual opinion on the Councils control environment to be given to the Audit and Governance Committee. Additionally, the audit plan has been tailored to add value to the Council following a process of discussion and consideration by Corporate Management Team, of their current operational issues.

### **3 INTERNAL AUDIT RESOURCES 2015/2016**

- 3.1 Hartlepool Borough Council Internal Audit establishment consists of a Head of Audit and Governance and 5 FTE audit staff. When taking into account operational costs of providing the service and income generated, the net budget for the provision of Internal Audit is £230,000, which equates to approximately £235 per audit day provided. Income generated from providing Internal Audit Services to schools and Cleveland Fire Authority totals £34,000, which equates to 13% of the services gross costs.
- 3.2 A total of 71 planned areas of audit coverage will form the basis of the mainstream Internal Audit work for 2015/16. The plan includes fundamental systems such as salaries, debtors, creditors, risk management etc., which are identified, for the purpose of the plan, as single audits. However, these will include system and probity audits in each or some of the departments, in support of the main system reviews.
- 3.3 In addition to the planned audit work, advice and support will be provided on an ad hoc basis throughout the financial year together with unplanned reactive work wherever necessary and appropriate.
- 3.4 For 2015/16, we are contracted to provide 100 days of audit work to the Cleveland Fire Authority.
- 3.5 Further details are provided in Appendix A of the focus of coverage across the council. In order to support members in the process of reviewing proposed audit coverage, the Better Governance Forum guidance on approving Internal Audit plans is also attached for information. This takes the form of a number of questions members may want to consider when reviewing the plan.

### **4 DELIVERING THE AUDIT**

- 4.1 Regular liaison is an essential feature of an effective and responsive audit function. In this context, Internal Audit will:
  - Have frequent meetings with departments to discuss the short term audit program, any current departmental issues which may benefit from an audit review and provide the opportunity to raise any concerns with the audit services provided;

- Following audit reviews agree action plans, identifying responsibilities and timescales for action;
- Carry out follow up work to monitor the effectiveness of management in implementing action plans;
- Ensure action plans are focused on improving controls and delivering benefits to the Council;
- Provide feedback to the Chief Finance Officer and Members on progress on the audit plan and the outcomes of audit work.

## **5 INTEGRATION**

- 5.1 Although Internal Audit and Mazars carry out their work with different objectives, it is good professional practice that both parties should work closely together, which is a principle that the Council has always been committed to.
- 5.2 The arrangements for ensuring effective joint working are formalised into a Joint Protocol Agreement, which ensured that the overall audit resources are most effectively focused and duplication is minimised.

## **6 RECOMMENDATION**

- 6.1 It is recommended that Members review and approve the 2015/2016 Internal Audit Plan and note the Internal Audit budget for 2015/16 of £230,000.

## **7. REASON FOR RECOMMENDATIONS**

- 7.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it satisfies itself that Internal Audit coverage is adequate and effective.

## **8. BACKGROUND PAPERS**

- 8.1 - Accounts and Audit Regulations 2015  
- UK Public Sector Internal Audit Standards (PSIAS).

## **9. CONTACT OFFICER**

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## Appendix A

Department Name		Assistant Director	2015/16
Chief Executives	Banking Contract	Chris Little	5
Chief Executives	Benefits - Housing	Chris Little	30
Chief Executives	Budgetary Control	Chris Little	25
Chief Executives	Cash/Bank	Chris Little	10
Chief Executives	Computer Audit	Andrew Atkin	50
Chief Executives	Communication - Mobile Phones	Andrew Atkin	5
Chief Executives	Contract Audit	Chris Little	10
Chief Executives	Council Tax	Chris Little	30
Chief Executives	Credit Card Payments	Chris Little	5
Chief Executives	Creditors	Chris Little	20
Chief Executives	Debtors	Chris Little	20
Chief Executives	Disclosure and Barring Scheme	Andrew Atkin	5
Chief Executives	Employees Registers of Interest/Gifts and Hospitality	Peter DeVin	5
Chief Executives	Fraud Awareness	Chris Little	50
Chief Executives	Information/Data Management Security	Andrew Atkin	30
Chief Executives	Loans And Investments	Chris Little	5
Chief Executives	Local Council Tax Support Scheme	Chris Little	20
Chief Executives	Main Accounting	Chris Little	25
Chief Executives	Members Allowances/Travel/Subsistence	Peter DeVin	5
Chief Executives	NFI	Chris Little	10
Chief Executives	NNDR	Chris Little	25
Chief Executives	Northgate Community Fund	Andrew Atkin	5
Chief Executives	Officers Expenses	Chris Little	5
Chief Executives	Recruitment, Selection and Retention	Andrew Atkin	5
Chief Executives	Risk Management	Andrew Atkin	5
Chief Executives	Salaries and Wages	Chris Little	25
Chief Executives	V.A.T.	Chris Little	5
Child and Adult Services	Better Care Fund	Jill Harrison	10
Child and Adult Services	Care Act	Sally Robinson	10
Child and Adult Services	Children and Families Act	Sally Robinson	10
Child and Adult Services	Children Homes	Sally Robinson	5
Child and Adult Services	Early Years Provision	AD – Education	10
Child and Adult Services	Education Development Centre	AD – Education	10
Child and Adult Services	Eldon Grove Primary School Academy	AD – Education	15
Child and Adult Services	Elwick Hall C Of E Primary School	AD – Education	5
Child and Adult Services	Fens Primary School	AD – Education	5
Child and Adult Services	Hart Primary School	AD – Education	5
Child and Adult Services	High Tunstall Secondary School	AD – Education	6
Child and Adult Services	Holy Trinity C Of E Primary School	AD – Education	5
Child and Adult Services	Home Care	Jill Harrison	5
Child and Adult Services	Owton Manor Primary School Academy	AD – Education	15
Child and Adult Services	Pupil Referral Unit (P.R.U.)	AD – Education	5
Child and Adult Services	Social Care - Day Centres	Jill Harrison	5
Child and Adult Services	Social Care - Direct Payments	Jill Harrison	10
Child and Adult Services	Social Care - Financial Assessments	Jill Harrison	10
Child and Adult Services	Social Care - Voluntary Appointeeship	Jill Harrison	5
Child and Adult Services	Social Fund/Section 17	Jill Harrison	5
Child and Adult Services	St. Hilda's Secondary School	AD – Education	10
Child and Adult Services	Stranton Primary School Academy	AD – Education	15

Public Health	Community Safety	Louise Wallace	10
Public Health	Locally Led Nutrition Initiative	Louise Wallace	5
Public Health	Millhouse Leisure Centre/Headland Sports Centre/ Brierton	Louise Wallace	10
Public Health	National Child Measurement Programme	Louise Wallace	5
Public Health	Public Health Services for children and young people aged 5-19	Louise Wallace	10
Public Health	Public Mental Health Services	Louise Wallace	10
Regeneration and Neighbourhoods	Car Parking - Income	Alastair Smith	5
Regeneration and Neighbourhoods	Economic Development	Damien Wilson	10
Regeneration and Neighbourhoods	Empty Homes Scheme	Damien Wilson	10
Regeneration and Neighbourhoods	Energy Management	Alastair Smith	10
Regeneration and Neighbourhoods	Highways - Street Light Replacement Programme	Alastair Smith	10
Regeneration and Neighbourhoods	Housing Market Renewal	Damien Wilson	5
Regeneration and Neighbourhoods	Housing Options Centre	Damien Wilson	10
Regeneration and Neighbourhoods	Integrated Transport Unit - Child and Adult Provision	Alastair Smith	5
Regeneration and Neighbourhoods	Integrated Transport Unit - Fuel Management	Alastair Smith	5
Regeneration and Neighbourhoods	Integrated Transport Unit - Highways Capital Grant	Alastair Smith	5
Regeneration and Neighbourhoods	Integrated Transport Unit - Private Hire	Alastair Smith	5
Regeneration and Neighbourhoods	Staff Lottery	Alastair Smith	5
Regeneration and Neighbourhoods	Stores	Alastair Smith	10
Regeneration and Neighbourhoods	Tanfield Road Nursery	Alastair Smith	5
Regeneration and Neighbourhoods	Tourism - Historic Quay/Museum/TIC	Damien Wilson	5
Regeneration and Neighbourhoods	Procurement	Denise Ogden	10
	<b>ADMINISTRATION</b>		
Corporate	Training/Development		50
Corporate	Administration		70
Corporate	Contingency/Advice/Support/Special Investigations		70
	<b>CFA</b>		100
	<b>TOTAL</b>		<b>1076</b>

## Reviewing the Audit Plan

At least once a year, but possibly more frequently, both your internal and external audit teams will ask you to review their audit plans and approve them. If you aren't familiar with audit plans, you may well be asking yourself how to do this and how you can add value. In this article, I will discuss:

- Why draw up an audit plan?
- Who is involved?
- How is the audit plan produced?
- What does the audit plan cover?
- When is the audit plan written?
- Your role in relation to the audit plan

I will finish with a “dashboard” of key questions for you to ask to satisfy yourself that the plan has been drawn up appropriately and will deliver the assurance that you need as an audit committee member. While I concentrate on your role in relation to internal audit, many of these points also relate to external audit.

### ***Why draw up an audit plan?***

An audit plan is needed to ensure that your auditors address all the main areas of risk within your organisation and can provide assurance to support your Annual Governance Statement or Statement on Internal Control. At the end of each year the head of internal audit provides an opinion on the effectiveness of the control environment so it is vital that the plan is sufficient to support that opinion. It is also needed to ensure auditors use their limited resources (budget, time, people and expertise) to best effect. Almost inevitably audit needs outstrip audit resources and the plan will help your audit team set its priorities, in discussion with you.

### ***Who is involved?***

The audit plan is normally drawn up by the head of internal audit, in consultation with directors and members of the audit team. As the internal audit plans and external audit plans should be aligned, each should consult the other as part of this process.

### ***How is the audit plan produced?***

The audit plan is 'risk-based' to address the financial and non-financial risks faced by your organisation and your key priorities. Your organisation's risk register and the effectiveness of risk management will be reviewed to help develop the plan. The plan may also include work to be undertaken on behalf of your external auditor. The identified audits will be balanced against the resources available and the plan drawn up accordingly.

### ***What does the audit plan cover?***

The audit plan should show how your internal audit strategy is going to be achieved in accordance with the section's terms of reference. Plans include a combination of planned work and allowances for reactive work. They are always flexible so that they can reflect the changing risks and priorities within your organisation. Plans will also include allowances for “non-chargeable” time.

Planned audit work consists of a series of reviews of different aspects of your organisation's operations. The plan will include some high risk areas, for example areas of significant financial risk or high profile projects or programmes. Or they could be areas where there are concerns about poor performance, fraud or emerging risks. Some higher risk audits may feature annually in audit plans. Other areas, particularly financial systems, may be audited regularly even if they are well controlled because of their significance to the financial statements. The frequency will usually be agreed

with the external auditor. Other parts of the plan will reflect the risks and priorities of the organisation and the judgement of the head of internal audit. Reactive audit work may include investigations, giving advice, supporting working groups and other such matters. Non-chargeable time includes annual leave, training, administration, team meetings etc. A working year is approximately 260 days. A typical auditor (not a trainee or a manager) will carry out about 200 audit days/year.

#### ***When is the audit plan written?***

Detailed audit plans normally cover the organisation's financial year, although this is not mandatory. The audit plan is, therefore, generally written a few months before the start of the audit year for approval by the audit committee at the meeting before the start of that year. As the plan has to be flexible, you should be kept informed of minor changes and receive a revised plan for approval if there are any significant changes during the year.

There may also be a strategic plan that outlines the main direction for the audit team over a longer period than a year (perhaps three years). This is particularly useful to understand the wider coverage of risks and controls.

#### ***The audit committee's role***

The audit committee should be both challenging of the plan and supportive in its delivery. You need to be sure that the organisation's risks and priorities are considered, that the plan is aligned with the audit strategy and terms of reference, that internal and external audit have liaised in drawing up their plans and that your auditors have exercised their independence and have not been unduly influenced by others in deciding what they will or (even more importantly) will not examine. You could review the audit strategy and terms of reference at the same time to ensure that they are still relevant and appropriate.

You also need to consider how the plan relates to other sources of assurance to support the Annual Governance Statement or Statement on Internal Control, for example assurance from the risk management process or management assurances. Taken as a whole, will you get the assurance you need?

Once the plan has been approved, your role is then to monitor activity and outcomes against that plan. Is it being delivered? Is the audit work delivering the expected outcome? You may also need to support your auditors, if they are struggling to get auditee engagement or experience a shortfall in resources. Above all, you are there to get action as a result of audit work.

## Key questions to ask:

- 1. Who did the head of internal audit liaise with in drawing up this plan? Did this include external audit?**
- 2. How does this audit plan link to our risk register and our strategic plans?**
- 3. What audits have you left off this plan and why? When do you plan to carry out this work?**
- 4. How does the audit plan fit with other assurance work? Are there any gaps or is there duplication?**

**Elizabeth Humphrey**

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