

AUDIT AND GOVERNANCE COMMITTEE AGENDA



Thursday 28 April 2016

at 10.00 am

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

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Ainslie, S Akers-Belcher, Belcher, Cook, Lawton and Martin-Wells.

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

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 3 March 2016.
- 3.2 To confirm the minutes of the meeting held on 15 March 2016.
- 3.3 To confirm the minutes of the meeting held on 17 March 2016.

4. AUDIT ITEMS

- 4.1 Mazars Report- Audit Strategy Memorandum – *Chief Finance Officer*
- 4.2 Mazars Report- Final VFM Risk Assessment – *Chief Finance Officer*
- 4.3 Role of The Chief Finance Officer (CFO) in Public Service Organisations – *Chief Finance Officer*
- 4.4 Role of The Head Of Internal Audit in Local Government – *Chief Finance Officer*
- 4.5 Internal Audit Outcome Report 2015/16 – *Head of Audit and Governance*
- 4.6 Annual Governance Statement 2015/16 – *Chief Finance Officer*

5. STANDARDS ITEMS

None.



6. STATUTORY SCRUTINY ITEMS

None.

7. MINUTES FROM THE RECENT MEETING OF THE HEALTH AND WELLBEING BOARD

7.1 To receive the minutes of the meeting held on 19 January 2016.

8. MINUTES FROM THE RECENT MEETING OF THE FINANCE AND POLICY COMMITTEE RELATING TO PUBLIC HEALTH

None.

9. MINUTES FROM RECENT MEETING OF TEES VALLEY HEALTH SCRUTINY JOINT COMMITTEE

None.

10. MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP

10.1 To receive the minutes of the meeting held on 22 January 2016.

11. REGIONAL HEALTH SCRUTINY UPDATE

12. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

ITEMS FOR INFORMATION

Date of next meeting – to be confirmed.



AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

3 MARCH 2016

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

Present:

Councillor Ray Martin-Wells (In the Chair).

Councillors: Jim Ainslie, Stephen Akers-Belcher, Sandra Belcher and Trisha Lawton.

Standards Co-opted Member: Norman Rollo.

Also Present: Mark Cotton, Nichola Kenny and Maureen Gordon; North East Ambulance Service NHS Foundation Trust.
Sharon Pickering and Christine McCann; Tees, Esk and Wear Valleys NHS Foundation Trust.
Karen Hawkins, Hartlepool and Stockton Clinical Commissioning Group

Officers: Joan Stevens, Scrutiny Manager
David Cosgrove, Democratic Services Team

118. Apologies for Absence

Apologies for absence were received from Councillor Rob Cook and Co-opted Member Clare Wilson.

119. Declarations of Interest

Councillor Stephen Akers-Belcher declared a personal interest in Minute No. 122 as a Council appointed governor of Tees, Esk and Wear Valleys NHS Foundation Trust.

120. Minutes of the meeting held on 11 February 2106

Confirmed.

121. North East Ambulance Service NHS Foundation Trust - Quality Account 2016/17 *(Scrutiny Manager)*

The North East Ambulance Service (NEAS) Trust representatives gave a presentation to the Committee updating Members on the outcomes for

2015/16 and setting their priorities for 2016/17.

The Trust had a target to increase the proportion of Hear and Treat and See and Treat activity. See, Treat and Convey currently accounts for 62.7% of our activity, the Trust aimed to reduce this by 2%. For the year to date (at January) the conveyance rate to the Emergency Department was at 61.73%, (target set at 60.7%). However, the Trust had reduced the actual volume of conveyances down by 5,325 compared to last year. The targeted 2% reduction in the conveyance rate had not been achieved but the actual volume of conveyances had positively reduced by 2.15%.

The Trust was also 'up-scaling through training Paramedics to a new role of Practitioner Paramedic to improve services to patients. Members questioned the training provided and the Trust representatives commented that the practitioner training was an additional three week course following which Paramedics would be able to provide some on-site prescriptions. This role was, however, separate from the Advanced Paramedics who received more advanced training and were able to provide the same services that a practitioner in a minor injuries unit would provide. They had the skills to advise on site and provide care that could avoid the need for the patient to be transported to A&E.

Members queried the pay scales for the paramedics. It was indicated that they were paid on NHS Band 7 with career progression available. There was some concern expressed at the three week training before prescribing as this was considered inadequate. The NEAS representatives commented that the Paramedics university training course covered prescribing the additional three training covered more testing. The Advanced Paramedics course provide a further two years training. The Chair commented that some of the terminology was confusing.

In terms of the 'turnaround' when delivering patients to hospital, the Trust had reduced the over 60 minutes turnarounds by 17% and the over 120 minutes turnarounds by 20%. These improvements did lead to improved crew availability. While the long delays had been reduced, there had, however, been a significant deterioration in the 30 minute turnarounds; just ten minutes over the 30 minute target resulted in 1381 hours lost in queuing.

Members commented that there was frequently no press coverage of the excellent work the Ambulance crews did, but when things did go wrong there was huge press coverage; was this demoralising for staff. The NEAS representatives commented that it did have an effect and staff morale had been quite low for some time. The press coverage of such incidents was only reflective of the pressures the service was under. These pressures were not now centred only on the winter months as surges in demand could happen throughout the year. It was very frustrating for crews and management when they couldn't attend calls because of delays at hospitals.

The NEAS representatives indicated that staff in post figures had significantly improved during 2015/16. Contact centre and Patient Transport Services (PTS) had been operating close to full establishment for the majority of 2015/16. The Paramedic vacancy gap had closed from 25% to 20% and the Trust had been successfully recruiting qualified paramedics through both direct entry and international recruitment (with our partner HMA). Vacancies forecast at end of March were down to 103 FTE. Additionally, 32 student paramedics successfully qualified on the student programme with Teesside University.

NEAS had introduced the new Advanced Practitioner role offering attractive career progression for those who work in emergency care – working to introduce an Advanced Practitioner training programme in 2016/17. The Trust was also supporting flexible working (step down) through retire and return and redeployment opportunities.

The students currently nearing completion of their two-year training course had received unconditional job offers. There was a move nationally to move the Paramedic university course to a three-year course. It was anticipated that by September the service would be at 97% of staffing in relation to paramedics. Presently, overtime and third party resources were being used to fill the gap. Members were concerned that the issue of staffing shortages was still a problem when it had been raised several years ago. There was also concern at the Trust recruiting Paramedics from abroad.

The Trust acknowledged that the issue of staffing was not new but it had been addressing the issue. The Trust remained convinced that the strategy of 'growing our own' was the best strategy for recruiting and retaining Paramedics. NEAS was not the only Trust that had looked abroad to fill personnel gaps. Staff coming from abroad would be qualified Paramedics. The Trusts workforce was not, however, static. Many staff had long service with NEAS, while there was quite a large proportion that were relatively new. There was a lot of competition from not only other ambulance services, but also GP surgeries and other industries which often meant as quickly as staff were being recruited others were leaving. Salaries were often on a par or better so could be very attractive. It was these additional pressures together with the general shortage of staff had been behind the doubling of the numbers on the Teesside University Course

Members queried the actions in place to retain trained staff. The NEAS representatives indicated that career progression grades, additional training and new roles like advanced practitioner were all part of enhancing and developing staff with a view to retention. Members commented that they would wish to see a focus in the Quality Accounts on recruitment and retention of staff. The Chair did feel that the Trust did need to be congratulated on the improvements in the numbers being trained through Teesside University. It was suggested that NEAS could do more outreach work with schools and colleges to encourage young people towards a Paramedic career. The Trust commented that they were regular attendees

at jobs and careers fairs across a wide range of venues. A Members suggested that a referral to the Combined Authority to assist in the skills matching of training opportunities may assist the Trust.

The concern in relation to Paramedics prescribing drugs such as anti-biotics was pursued further. The Trust representative stated that only Advanced Paramedics could prescribe as part of their enhanced training covered this. There was a debate nationally on this issue much of which was behind the move towards a three-year university training course. Other Paramedics would normally refer to a GP for prescribing.

The Trust representatives indicated that staff surveys were showing an improvement in staff satisfaction rates across the board but there was still much work to be done.

In terms of the DBS checks that had been an issue in the past, the Trust indicated that a three-year rolling programme of DBS checks was in place though there was no requirement to do so nationally. All DBS and driving license checks processes had been enhanced and were being thoroughly audited and reported to the Workforce Committee and to the Trust Board every month.

The Trust representatives reported that in transforming pre/out of hospital care for those patients with long term conditions to make sure they receive the appropriate care in the most appropriate place to meet their needs, a new on-line form template was being trialled with local GPs to make submission and holding of the record much simpler. It was questioned if there was any 'flagging' of patients with long-term condition such as dementia. The Trusts representatives commented that there was still an issue across the region with the sharing of information between GPs and other health bodies such as NEAS.

In terms of setting the new priorities for 2016/17 the Trust was proposing the following -

Priority 1 (Patient safety)

To reduce avoidable harm through our commitment to Sign up to Safety, we will measure our success in this by:

- Improving our incident reporting by 5%
- Reducing the incidents that are graded as moderate or above by 5%

Priority 2 (Patient safety)

To work more closely with partners to help improve and promote falls prevention.

Priority 3 (Clinical effectiveness)

To improve the early recognition of Sepsis

Priority 4 (Patient experience)

To enhance the quality of care provided to patients who are at the end of

their life.

Priority 5 (Patient experience)

Continue to improve the number of patients who can be safely and appropriately treated and cared for at, or closer to home.

The Chair noted Priority 4 as the Regional Committee was investigating end of life care. The Trust indicated that they had a specific transport service that could transfer terminally ill patients between hospital and a hospice for example. The Chair indicated that he had not been aware that such a dedicated service existed.

The Chair and Members indicated their support for the proposed priorities for 2016/17, subject to the comments made during the meeting. The Trust representatives reported that NEAS was due to receive its Care Quality Commission inspection on 18 March and advised that it was likely that the CQC representatives would be contacting the Committee as part of that process.

Recommended

1. That the North East Ambulance Service (NEAS) Trust representatives be thanked for their presentation and responses to Member and public questions.
2. That the priorities for 2016/17 be noted.
3. That the comments of Members be fed into the Quality Account process.

122. Tees Esk and Wear Valleys NHS Foundation Trust - Quality Account 2016/17 (*Scrutiny Manager*)

The Tees, Esk and Wear Valleys (TEWV) NHS Foundation Trust representatives gave a presentation to the Committee updating Members on the outcomes for 2015/16 and setting their priorities for 2016/17.

In terms of progress against the current priorities at Quarter 3 the Trust representatives indicated that –

- The delivery of the recovery project in line with the agreed plan by 2015/16 Q4 was on track.
- Implementation of the policy with regard to Nicotine Management and Smoking Cessation by 2015/16 Q4 was on track.
- The continuation of the provision of the recovery model across Adult Learning Disabilities services via the implementation of Positive Behavioural Support (PBS) by 2015/16 Q4 was on track.
- The implementation of age appropriate risk assessments and care plans for Children and Young People Services by 2015/16 Q4 showed a small risk of delay connected to upgrades of TEWV's Electronic Patient

Record system.

- Unexpected Deaths – the figure for October to December (Q3) were the same as Q2, and the end of year position would be above “target” (Q3 figure = 3.70 per 10,000 open cases). The Trust representatives highlighted that there were no unexpected deaths recorded in Hartlepool.
- The number of patient falls for Q3 was 50.91 per 1000 admissions which was higher than Q2 and above the target of 28.79 and accounted for in all services, not just older people. Four falls were recorded with patients in Hartlepool.
- The average Length of Stay showed a position for Q3 in MHSOP of 59.49 days which was 7.49 above target but an improvement on Q2 (63.68). There was still, however, five patients with in-hospital stays of over 200 days.
- In terms of complaints 84.78% were satisfactorily resolved (target = 90%) with an improvement in Q3 on Q1 and Q2 position.

Members queried why suicides were included in the unexpected deaths statistics and questioned if they should be recorded separately. The Trust indicated that recording a death as a suicide was the responsibility of the Coroner and while staff may informally know the cause of death it was the Coroner’s responsibility to declare that and that may take some time depending on the circumstances. The statistics relating to deaths recorded by the Trust referred to existing patients and anyone who had received a service from the Trust in the last six months.

In relation to the work on smoking cessation, Members welcomed the work being done but recognised that it could be a challenge for some patients. The Trust recognised that it was a challenge for patients and staff they did believe in the commitment to the challenge. Statistically, people with mental health problems died 20 years earlier than those without. People with mental health problems were also more likely to be smokers. There was an in-patient nurse responsible for promoting the campaign and offering nicotine replacement therapies. The Trust was allowing in-patients to use e-cigarettes although ‘tank e-cigarettes’ were not being allowed. While there would be difficulties in carrying this forward, it could be achieved; high security facilities had managed to implement the programme. Smoking cessation services would also be extended to community mental health services. The Trust had also been approached by the prison service to undertake some smoking cessation work with prisoners as the prison service had a national target of being smoke free by 2018.

In terms of the development of priorities for 2016/17 the Trust indicated it intended to –

- Continue to develop and implement recovery focussed services through delivering the agreed project plan and identifying further work for the future by 2018/19.
- Implement and embed the revised harm minimisation and risk

management approach by 2016/17.

- Further implement the nicotine replacement programme and smoking cessation project by 2016/17.
- Improve the clinical effectiveness and patient experience at times of Transition by 2016/17 Q4.

Detailed targets for each of the above priorities were also set out in the presentation. The next steps and the process for the approval of the Quality Account were also set out.

A member commented that at a recent event he had heard discussion around the changing of the term 'mental health' to 'brain impairment'. The Trust representatives stated that they had not heard of such a debate. They were aware that there had been feedback from people with learning disabilities that they would like that 'tag' changing as they felt it was unrepresentative.

The time differential between the preparation of the Quality Account and its approval and the financial year to which it related. The Trust representatives indicated that some of the Quality Account was backward looking so all the appropriate data sets needed to be available to produce new targets. It was a challenge to produce all the information within the national guidelines and provide consultees with the required 30 days to provide their comments and feedback.

Recommended

1. That the Tees, Esk and Wear Valleys (TEWV) NHS Foundation Trust representatives be thanked for their presentation and responses to Member and public questions.
2. That the priorities for 2016/17 be noted.
3. That the comments of Members be fed into the Quality Account process.

123. Integrated Urgent Care Services (IUCS) (*Scrutiny Manager*)

The Scrutiny Manager submitted a report providing members with an update on NHS Hartlepool and Stockton-on-Tees Clinical Commissioning Group (CCG) development of an Integrated Urgent Care Service (IUCS).

The Vice-Chair commented that with the pause currently in the process, what work was being undertaken to attract other Trusts to provide services in Hartlepool. The Hartlepool and Stockton Clinical Commissioning Group representative stated that there had been a national pause in the process due to the issue of new national standards. It had initially been expected that services would have gone to the procurement stage on 15 January. The issues raised at the meeting on 14 January couldn't be incorporated than but could now. The CCG was still looking to the new services being in

place for 1 April 2017 and as was required by law, the services would be advertised nationally and across the European Union due to the size of the contracts.

Recommended

That the report be noted.

124. Better Health Programme (Formerly Securing Quality in Health Services (SEQIHS)) *(Scrutiny Manager)*

The Scrutiny Manager submitted a report which set out the background information regarding the Better Health Programme (formerly known as the Securing Quality in Health Services (SeQIHS)), which included an indicative timeframe for statutory public consultation. An outline of suggested proposals for the establishment of a Joint Health Scrutiny Committee, under the provisions of the Health and Social Care Act 2012, involving all local authorities affected by the Better Health Programme and any associated service review proposals was also included.

The Scrutiny Manager stated that there would be subsequent reports to the Committee as the process progressed but at this stage the Committee was asked to support the convening of the joint committee with membership from each local authority being politically proportional.

The Chair commented that with the membership of this committee that membership would be drawn from the only two parties represented.

Recommended

1. That approval be given in principle with the establishment of a joint Health Overview and Scrutiny Committee under the terms of the Health and Social Care Act 2012 as set reported;
2. That a further report be submitted to the Committee detailing the proposed protocol, Terms of Reference and membership of the Joint Health Scrutiny Committee that will be established up to scrutinise the Better Health Programme and associated consultation and engagement plans.

125. Any Other Items which the Chairman Considers are Urgent

The Chairman advised the Committee that following the recent meetings in relation to the Assisted Reproduction Unit at the University Hospital of Hartlepool, a Joint Committee meeting was likely to be called in the very near future to which representatives of Durham County Council and Stockton-on-Tees Borough Council had been invited to attend. An initial

meeting date of 15 March had been identified for the meeting of the Health Scrutiny Joint Committee; confirmation of the meeting arrangements would be sent to Members as soon possible.

The meeting concluded at 11.55 am.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

15 March 2016

The meeting commenced at 11.15 am in the Civic Centre, Hartlepool.

Present:

Councillor: Ray Martin-Wells (In the Chair)

Councillors: Jim Ainslie, Stephen Akers-Belcher, Sandra Belcher, Rob Cook and Trisha Lawton

Also Present: Councillors Alan Clark, Jim Lindridge and Brenda Loynes.
Dr Mohamed Menabawey
Ali Wilson and Karen Hawkins, Hartlepool and Stockton
Clinical Commissioning Group
Roy McLaughlin, NHS Northern England Clinical Senate
Greg Canning, Royal College of Nursing
Mike Hill, UNISON

Officers: Peter Devlin, Chief Solicitor
Alastair Rae, Public Relations Manager
Ed Turner, Public Relations Officer
Joan Stevens, Scrutiny Manager
Angela Armstrong, Principal Democratic Services Officer
Jo Stubbs, Democratic Services Officer

126. Apologies for Absence

Apologies for absence were received from Parish Councillors Brian Walker and John Cambridge.

127. Declarations of Interest

None.

128. Minutes of the meeting held on 5 February 2016 and reconvened on 26 February 2016

Confirmed.

129. Assisted Reproduction Unit – Service Provision (*Chair of Health Scrutiny Joint Committee*)

A summarised update was provided on the discussions at the Health Scrutiny Joint Committee held immediately prior to this meeting. The Chief Solicitor provided an update on the legal position including that a formal application for judicial review had been lodged with the High Court with a full appraisal of the current situation. The Order had been made by the High Court and as such a hearing would take place on 5 April 2016.

A Member sought clarification on the position of the employees at the Assisted Reproduction Unit (ARU) and the ongoing discussions around potential redundancies. The Chief Solicitor indicated that he understood that the Trust and their legal advisors were considering their legal position in view of the impending High Court hearing. There was some concern expressed that the number of referrals made to the ARU from 31 March 2016 would decrease as the future of the Unit was unknown.

The Chair sought the Committee's views on reaffirming the recommendations from the meeting of the Audit and Governance Committee on 5 and 26 February 2016 for submission to Council on 17 March 2016. Members fully supported the recommendations being submitted to Council for consideration.

The Chair referred to correspondence between himself and the Chief Executive of North Tees and Hartlepool NHS Foundation Trust in which the Chair had requested the attendance of all members of the Council of Governors at a future meeting of the Audit and Governance Committee to discuss the Care Quality Commission (CQC) report on the Trust and the behaviour of the Senior Management Team of the Trust including their non attendance at several Committees of the Council that they had been invited to attend.

Recommended

That Council consider and approve that:

- i) A letter be sent to the Secretary of State for Health from the Chair of the Audit and Governance Committee to:
 - a) Request that the closure of the ARU be postponed (and arrangements previously in place for the provision of embryologists be continued) to allow the full and proper investigation of the decision (background, reasons and justification) with the full involvement of the Trust);
 - b) Notify the Secretary of State of the Trust's contempt for the Council and disregard for Overview and Scrutiny in their failure to attend as required under Regulation 27 of the Local Authority (Public Health,

Health and Wellbeing Boards and Health Scrutiny) Regulations 2013;

- c) Request that Monitor investigate the Trust's actions in relation to:-
 - The closure of the ARU (given the flaws identified in the Trusts recruitment argument);
 - Further seek to investigate previous decisions taken by the Trust to close / move services from University Hospital of Hartlepool (UHH) (including Accident and Emergency) on the grounds of clinical safety, as the Committee questioned the robustness of evidence previously provided to support decisions, with recognition that independent advice / reviews had been involved in some instances;
 - The Trust's competency / capability to continue to provide health services, with reference to the outcome of the recent Care Quality Commission (CQC) Inspection and issues identified in relation to leadership at the UHH (*i.e. Medical care - leadership - Inadequate, Maternity and Gynaecology - leadership - requires improvement, Services for Children and Young People - leadership – requires improvement, Outpatients and Diagnostic Imaging - leadership - requires improvement*); and
- d) A meeting be requested between the Secretary of State for Health, Hartlepool's MP and Council representatives (including Audit and Governance Committee Chair and Vice Chair) in relation to the ARU issue and the wider issue of the trust competency / capability to continue to provide health services. This supported by the view expressed in the recent CQC report in relation to the provision of service (*i.e. Medical Care - designated as requiring improvement across three of the four headings (safety, effectiveness, caring, responsive) and inadequate in terms of management*); and
- e) Contact each member of the Council of Governors for the North Tees and Hartlepool NHS Foundation Trust to require their attendance at a meeting of the Audit and Governance Committee (in accordance with the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013) to explain why they feel the Trust can ignore a formal request to attend a meeting of the Committee.
- f) The removal of the Trust's representation on the Council's Health and Wellbeing Board.

130. Any Other Items which the Chairman Considers are Urgent

None.

The meeting concluded at 11.35 am

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

17 March 2016

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

Present:

Councillor: Ray Martin-Wells (In the Chair)

Councillors: Jim Ainslie, Stephen Akers-Belcher, Sandra Belcher, Rob Cook
and Trisha Lawton

Standards Co-opted Members:
Norman Rollo

Also Present: Councillor Jim Lindridge and Brenda Loynes
Julie Lane, Debbie Blackwood and Dr Richard Thomas – North
Tees and Hartlepool NHS Foundation Trust

Officers: Chris Little, Chief Finance Officer
Noel Adamson, Head of Audit and Governance
Joan Stevens, Scrutiny Manager
Angela Armstrong, Principal Democratic Services Officer

131. Apologies for Absence

Apologies for absence were received from Independent Person Norman Rollo.

132. Declarations of Interest

None.

133. Minutes of the meeting held on 3 March 2016

Due to the unavailability of the minutes, they were deferred to the next meeting of the Committee.

134. Care Quality Commission Inspection of the North Tees and Hartlepool NHS Foundation Trust – Update Report/Presentation *(Chief Executive and Acting Director of Nursing, North Tees and Hartlepool NHS Foundation Trust)*

Representatives from North Tees and Hartlepool NHS Foundation Trust were in attendance and gave a detailed and comprehensive presentation on the outcome of the Care Quality Commission's recent inspection of the Trust. There were a number of areas of good practice highlighted and Members' attention was drawn to the areas of 'should do' and 'must do' and associated actions that had been implemented as included within the Action Plan. A representative from the Trust indicated that the Action Plan had been submitted and signed off by the CQC on 14 March 2016 and that a CQC Board had been set up to monitor the implementation of the action plan with regular updates to be posted on the Trust's website.

In response to clarification sought by the Chair, a representative from the Trust confirmed that the Chief Executive of the Trust had to attend another meeting and was therefore unable to attend this meeting.

Concern was expressed by the Chair at the CQC's rating of the Trust as 'requires improvement' and clarification was sought on the situation at the Holdforth Unit in Hartlepool and how that had reached such a critically low level of nurse to patient ratio. Staffing levels at the Holdforth Unit at the time of the CQC inspection being one nurse to fifteen patients, compared to the recommended maximum level of one nurse to eight patients.

A representative from the Trust confirmed that the issues around staffing levels at the Holdforth Unit had been as a result of staff absences through sickness and maternity leave. It was highlighted that as soon as the Trust management had become aware of this issue, a number of beds within the Unit were closed to bring the nurse to patient ratio back in line. Clarification was sought on whether recruitment was a Trust-wide problem and what measures were in place to encourage the retention and career progression of current Trust employees. A representative from the Trust indicated that the Trust-wide recruitment strategy had recently been refreshed and a number of unqualified staff were undertaking nurse training with local colleges. The Trust also worked closely with Teesside University to support additional training to Registered General Nurse (RGN) level. In addition to the above, work was undertaken with Health Education North East and England to secure funding to provide opportunities and support for RN training. The Trust also worked with existing employees on career progression where appropriate. In relation to the advertising of vacancies, all jobs were advertised on the national website NHS Jobs and there was an increasing use of social media, especially for specific need requirements.

It had been noted during the presentation that a number of overseas nurses had been recently employed by the Trust and clarification was sought on

the status of this employment. A representative from the Trust confirmed that a number of Romanian nurses had been employed by the National Health Service Profession as temporary appointments. In addition to this, there were a number of Philippino nurses recruited who require further training to become RGN's and it was likely that there was a high number of these nurses who would secure permanent contracts.

A Member referred to a number of situations that had affected him individually within North Tees Hospital around confidentiality, infection control and the administration of medication. Concern was expressed at the leadership of the Trust from a Board and Executive viewpoint and it was noted that the people of Hartlepool were losing confidence in the Board and Executive Management Team of the Trust. A representative from the Trust was disappointed to hear these concerns and indicated that the leadership of the Trust permeates from Ward to Board with everyone in between also having a role. However, the comments were noted and would be fed back to the Executive Management Team. In response to a question from the Chair, the representative from the Trust acknowledged that one of the problems with recruitment to the Trust was down to a problem with the overall reputation of the Trust on a national basis.

During the discussions that followed, it was suggested that Trust staff morale was low and that it was the responsibility of all members of the Executive Management Team and the Board of Governors to take control of the situation and not allow service provision to be affected.

A Member referred to the previous closure of the Accident and Emergency Unit at the University Hospital of Hartlepool with the reason given that the service was not safe and needed to be transferred to North Tees Hospital. It was noted however, that the Trust had now acknowledged that North Tees Hospital was not fit for purpose and had been required to secure funding of £25m to enable a refurbishment of the building's infrastructure.

Members were particularly exasperated that the CQC inspection had identified Urgent and Emergency services at the North Tees Hospital as 'requiring improvement'. Attention was also drawn to the CQC's views in relation to the Trusts performance in the provision of community health services. Members highlighted that the provision of services in the community had been used as justification for the removal of services from Hartlepool and were exceptionally concerned that the trust was failing in this respect also.

This highlighted serious concerns in the credibility of services and the decisions taken by the Executive Management Team, particularly in relation to the transfer of Hartlepool's A&E service to North Tees where A&E still required improvement. It was also noted that measures were being put in place to make the North Tees A&E service safe and Members felt strongly that the same should have been done to enable the retention of A&E services in Hartlepool.

A discussion ensued on the service areas that formed part of the CQC inspection in Hartlepool which were medical care provided at the Holdforth Unit and endoscopy which was provided in the Day Unit within the UHH. A representative from the Trust gave Members the reassurance that out of the 85 domains inspected, 64 were rated as good with 19 rated as required improvement and 1 inadequate. A Member expressed serious concerns at the leadership and management of the Trust. It was suggested that both the Chief Executive and Chairman of the Trust should resign from their positions within the Trust as Members found it difficult to accept that every year, the Trust would indicate that services would be improved the following year without seeing the improvements promised the year before.

Clarification was sought from a Member on the concerns around medicine management that were highlighted in the CQC inspection. A representative from the Trust confirmed that there was the potential for problems within the administration of medicine. However, it was highlighted that there were regular audits of the administration of medicines to ensure all the correct policies and procedures were being followed. In response to further questions, the representative from the Trust confirmed that incomplete documentation around the checking of resuscitation equipment was being addressed. In relation to issues around appropriate staffing levels, the representative confirmed that the Trust was very proactive in ensuring that the appropriate number of staff were in place, however there remained a reliance on agency staff when there were gaps in staffing due to illness/sickness.

A Member referred to a problem encountered at North Tees Hospital which had resulted from staff being unable to access a patient's personal records. A representative from the Trust indicated that all patient records can be accessed using computer track care which was introduced in October 2015 and included alerts for individual patients, including allergies. However, Members were reminded that patients had the option to opt out of this system.

A discussion ensued on the management of the advertising of job vacancies within the North Tees and Hartlepool NHS Trust. A representative from the Trust confirmed that all jobs were advertised nationally on the NHS Jobs website and there was an increasing use of social media. In addition to this, the Trust undertook recruitment drives with local Universities.

In response to clarification sought by a Member, a representative from the Trust confirmed that prior to the CQC inspection, the Trust undertook a lot of staff engagement including a number of drop in sessions, to address concerns staff had prior to the inspection. In addition to the above, focus groups were held with an open invitation to all staff to look at how their job impacted on the patient experience and how this could be improved upon. It was highlighted that since October 2015, senior staff worked alongside ward staff fortnightly as this was an excellent way of gaining an insight into

any operational issues on the ward in detail.

A member of the public in attendance indicated that he had been an employee of the Trust up until August 2015 when he had resigned and expressed concerns at the recruitment process and the additional pressure placed on staff due to staff shortages. A representative from the Trust confirmed that jobs were advertised internally and then externally should the vacancy not be filled from the internal recruitment process. It was highlighted by Dr Menabawey that the report indicated that 21% of staff considered that an environment of bullying and harassment was in place within the Trust which may be a key issue in the problems with recruitment.

A discussion ensued on the level of maternity services provided at UHH and it was highlighted that new mothers were being advised to go to North Tees to avoid the risk of being blue lighted there should any problems arise. There were concerns that this would lead to the number of births at the midwifery-led unit becoming too low to sustain the service. A Member referred to potential changes to orthopaedic home visits. The representatives from the Trust were not aware of these potential changes but would look into that as the Homeward Bound system had operated for a number of years and there was no intention of removing that service.

A member of the public read out a statement from the North East Empowerment and Diversity Group which noted that the CQC inspection report was not a positive report and referred to a number of requests the Group had made to meet with the Chief Executive of the Trust which had been refused.

Recommended

The CQC inspection report and ensuing discussion was noted and it was agreed that relevant information and comments would be incorporated in to the letter being sent to the Secretary of State for Health as part of the scrutiny process in relation to the Assisted Reproduction Unit in Hartlepool..

A brief adjournment took place at 11.55am. The meeting was reconvened at 12.00 noon.

135. Mazars Report – Grant Report (*Chief Finance Officer*)

The report provided an update on Mazars progress in meeting their responsibilities as the Council's external auditor in relation to certification arrangements for specified claims and returns to Public Sector Audit Appointments. Further details of the key messages were included in the main body of the report which was attached at Appendix 1.

Recommended

The Grant Report from Mazars was noted.

136. Internal Audit Plan 2015/16 Update (*Head of Audit and Governance*)

The report provided the background to the provision of an Internal Audit Plan and the subsequent review of the Annual Governance Statement. Further detail was provided within the report on the schools audits that had been completed and the associated recommendations. In addition, table 2 within the report summarised the assurance level placed on each internal audit undertaken with the risks identified and action plans agreed provided within Appendix A.

A Member sought clarification on whether the recent Government announcement that all schools will become academies will have an impact on the current audit arrangements. The Chief Finance Officer indicated that the details of the announcement were not yet known but he was hopeful that the current audit arrangements in place with the schools would continue.

In response to a question from a Member, the Chief Finance Officer confirmed that further details on the potential impact of the changes in business rates would be included as part of Medium Term Financial Strategy in due course.

Tribute was paid to the staff who undertake these painstaking audits, the level of detail was remarkable.

Clarification was sought on a previous request for further information on the use of purchase cards across the Local Authority. The Head of Audit and Governance confirmed that this information would be provided to Members of the Committee.

Recommended

- (1) The content of the report was noted.
- (2) That further information on the current use of purchase cards across the Local Authority will be provided to Members of the Committee.

137. Internal Audit Plan (*Head of Audit and Governance*)

The report provided Members of the direction of internal audit activity, and to seek approval of the annual operational Internal Audit Plan for 2016/17 attached at Appendix A.

An outline of the internal audit resources for 2016/17 was included within

the report and it was noted that the net budget of Internal Audit was £230,000 when taking account of the operational costs and income generated. Income generated from providing Internal Audit Services to schools and Cleveland Fire Authority totalled £29,000 which equated to 13% of the services gross costs. Further details were provided within Appendix A of the focus of coverage across the Council.

The Chief Finance Officer provided clarification on a number of issues raised by Members and a member of the public.

Recommended

The Internal Audit Plan for 2016/17 and the Internal Audit budget for 2016/17 of £230,000 were approved.

138. Any Other Items which the Chairman Considers are Urgent

None.

The meeting concluded at 12.15 pm

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

28 April 2016



Report of: Chief Finance Officer

Subject: MAZARS REPORT- AUDIT STRATEGY
MEMORANDUM

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 Audit Strategy memorandum.

2. BACKGROUND

- 2.1 The report sets out Mazars audit plan in respect of the audit of the financial statements of Hartlepool Borough Council for the year ending 31 March 2016. The plan sets out the proposed audit approach and is prepared to assist the Audit and Governance Committee in fulfilling its governance responsibilities. The responsibilities of those charged with governance are defined as to oversee the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process.

3. FINDINGS OF MAZARS

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

4. RISK IMPLICATIONS

- 4.1 Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

5. FINANCIAL CONSIDERATIONS

- 5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

10.1 There are no asset management considerations.

11. RECOMMENDATIONS

11.1 That the Audit and Governance Committee:

i. Note the report of Mazars.

12. REASON FOR RECOMMENDATIONS

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

13. BACKGROUND PAPERS

13.1 Audit Strategy Memorandum.

14. CONTACT OFFICER

14.1 Chris Little
Chief Finance Officer
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

Tel: 01429 523003
Email: Chris.Little@Hartlepool.gov.uk

Audit Strategy Memorandum

4.1

Hartlepool Borough Council

March 2016

Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Audit and Governance Committee
Hartlepool Borough Council
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

March 2016

Dear Members

Audit Strategy Memorandum for the year ending 31 March 2016

We are delighted to present our Audit Strategy Memorandum for Hartlepool Borough Council for the year ending 31 March 2016.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. It is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, and Appendix A summarises our considerations and conclusions on our independence as auditors.

We value two-way communication with yourselves and we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion through which we can also understand your expectations.

This document will be presented at the Audit and Governance Committee meeting on 28 April 2016. If you would like to discuss any matters in more detail please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Mark Kirkham
Partner, for and on behalf of Mazars LLP

Contents

01 Purpose and Background.....	3
02 Audit scope, approach and timeline.....	5
03 Significant risks and key judgement areas	8
04 Value for Money Conclusion	10
05 Your audit team	12
06 Fees for audit and other services	13
Appendix A - Independence	14
Appendix B – Materiality	15
Appendix C – Key communication points.....	16
Appendix D – Forthcoming accounting and other issues	17

This document is to be regarded as confidential to Hartlepool Borough Council. It has been prepared for the sole use of the Council. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this document, or any part of it, is disclosed to a third party, our written consent must first be obtained.

01 Purpose and Background

4.1

Purpose of this document

This document sets out our audit plan in respect of the audit of the financial statements of Hartlepool Borough Council for the year ending 31 March 2016, and forms the basis for discussion at the Audit and Governance Committee meeting on 28 April 2016.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as to oversee the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process.

We see a clear and open communication between ourselves and you as important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks you face, which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Appendix C outlines the form, timing and content of our communication with you during the course of the audit. Appendix D sets out forthcoming accounting and other issues that will be of interest.

Scope of engagement

We are appointed to perform the external audit of your accounts for the year to 31 March 2016. The scope of our engagement is laid out in the National Audit Office's Code of Audit Practice.

Responsibilities

• Audit opinion and value for money conclusion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities. We are also required to reach a conclusion on the arrangements that the Council has put in place to secure economy, efficiency and effectiveness in its use of resources (our Value for Money conclusion).

• Whole of Government Accounts

We report to the National Audit Office in respect of the consistency of the Council's Whole of Government Accounts submission with the financial statements.

• Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK and Ireland), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as whole are free from

material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

We are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

Significant matters considered

As part of our risk based approach to planning we consider a number of key performance and control environment features together with external developments. The following paragraphs set out some of the key aspects for 2015/16.

We use the Council's latest financial monitoring reports and medium term financial plan to consider the current financial position. The forecast outturn position was reported to Finance and Policy Committee in January 2016. The Council has approved the use of one off resources of £2.278m from the 2015/16 forecast underspend and review of reserves to help manage higher than expected grant cuts in 2016/17.

The position on capital expenditure was reported as:

Area	Budget	Actual to date	Expenditure remaining	Rephased	Variance
Capital expenditure	£31.370m	£10.034m	£18.041m	£3.286m	£0.009m

In addition we review the overall position for general fund and earmarked reserves. The Council held total reserves of £61.896m at 31 March 2015 (£55.497m excluding school reserves and reserves held in trust). The total reserves include the general fund reserve of £5.253m, earmarked reserves of £55.237m and capital reserves of £1.406m.

Ongoing budget monitoring reports and updated information on the medium term financial strategy taken to members as part of budget setting show that the Council's initial plan to use £5.487m of earmarked reserves to support the 2016/17 budget will no longer be enough to offset additional cuts in grant funding. The impact of the recent 2016/17 Local Government Settlement announcement has increased the forecast gross budget deficit for 2016/17 to 2018/19 from £14.192m to between £16.3m and £18.3m, depending on future Council Tax increases, with a further additional budget shortfall for 2019/20 in excess of £4m.

The approved medium term financial plan for 2016/17 includes:

- a council tax increase of 3.9%, including the 2% social care precept; and
- use of earmarked reserves to balance the revenue budget.

The Council has been successful in delivering planned in year reductions and in implementing realistic and practical savings plans to date.

02 Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide you with an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) and in accordance with the National Audit Office's Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

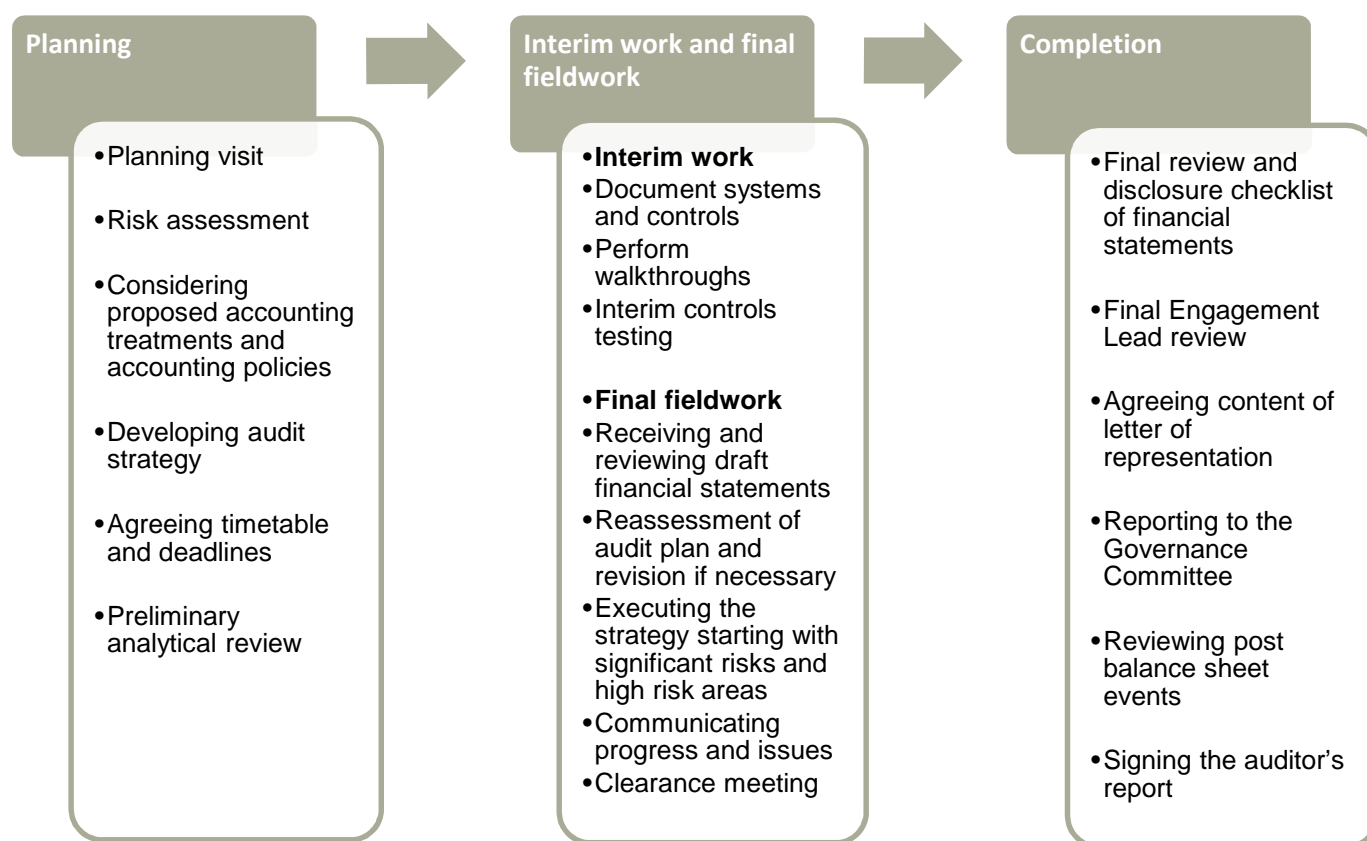
We apply a risk-based audit approach primarily driven by the matters we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work undertaken could include a combination of the following as appropriate:

- testing of internal controls;
- substantive analytical procedures; and
- detailed substantive testing.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Materiality and misstatements are explained in more detail in Appendix B.

The diagram overleaf outlines the procedures we perform at the different stages of the audit.



Reliance on Internal Audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Reliance on other auditors

There are material entries in your financial statements where we will seek to place reliance on the work of other auditors.

Items of account	Other auditor	Nature of assurance to obtain from the auditor
Defined benefit liability and associated IAS 19 entries and disclosures	EY	We will agree a programme of work with EY and a timetable for the receipt of relevant information.

Service organisations

We are required to assess whether there are any material entries in your financial statements where the Council is dependent on an external organisation. We call these entities service organisations. There are no such service organisations for the Council where we need to carry out special procedures.

The work of experts

We plan to rely on the work of the following experts:

Item(s) of account	Management's expert	Our expert
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt)	National Audit Office's consulting actuary (PWC)
Property, plant and equipment valuations	Internal valuer from Hartlepool Borough Council	National Audit Office's consulting valuer (Gerald Eve)
Financial instruments: fair value estimates	Capita (Treasury Management advisor)	Central assurance provided by the National Audit Office

Timeline

The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process and will ensure significant issues identified are communicated to those charged with governance on a timely basis.



03 Significant risks and key judgement areas

We have performed our planning procedures, including our risk assessment, as detailed in section 2. In addition, we met with management as part of the audit planning process to discuss the risks that, in management's opinion, the Council faces and have considered the impact on our audit risk. The risks that we identify as significant for the purpose of our audit are the risks of material misstatement that in our judgement require special audit consideration.

We set out below the significant audit risks identified as a result of these meetings and planning procedures which we will pay particular attention to during our audit in order to reduce the risk of material misstatement in the financial statements.

Significant audit risks

Management override of controls

Description of the risk

International Standards on Auditing (ISA) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud. In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we will address this risk

Our testing strategy will include:

- review of material accounting estimates, which may be subject to management bias, included in the financial statements;
- consideration and review of unusual or significant transactions outside the normal course of business; and
- testing of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Revenue recognition

Description of the risk

In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal in 2015/16. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we will address this risk

We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:

- testing receipts in March and April 2016 to ensure they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

Pension Estimates (IAS 19)**Description of the risk**

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we will address this risk

We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:

- evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and
- consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

04 Value for Money Conclusion

Scope of work

For 2015/16, we are required to satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We perform our work in this area in accordance with guidance set out by the NAO in Auditor Guidance Note 3. This requires us to consider one overall criterion which is made up of three sub-criteria.

Overall criterion: *in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

Sub-criteria	Guidance
Informed decision-making	<ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of sound governance. • Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management. • Reliable and timely financial reporting that supports the delivery of strategic priorities. • Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. • Managing and utilising assets effectively to support the delivery of strategic priorities. • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities. • Commissioning services effectively to support the delivery of strategic priorities. • Procuring supplies and services effectively to support the delivery of strategic priorities.

As part of our work, we will also:

- review your annual governance statement;
- consider the work of other relevant regulatory bodies or inspectorates, such as Ofsted and the Care Quality Commission, to the extent the results of the work have an impact on our responsibilities; and
- carry out any risk-based work we determine appropriate.

At this stage we are not aware of any regulatory work or inspection activity that would be relevant to our audit.

We have considered the risks that are relevant to our value for money conclusion and have identified the following significant risk that we will address through our work.

VFM risk

Description of the risk

Significant risk in respect of financial resilience arising from continuing decreases in funding. The risk arises from the level of budget reductions the Council needs to make in order to achieve a balanced budget.

How we will address this risk

We will consider the Council's approach to:

- monitoring budgets;
- reviewing the medium term financial plan;
- ensuring that identified savings are being achieved; and
- assessing the impact of budget reductions on service delivery.

05 Your audit team

Below are your audit team and their contact details.

Engagement lead
(Partner)

- Mark Kirkham
- mark.kirkham@mazars.co.uk
- 0191 383 6300 or 07747 764 529

Engagement manager
(Senior Manager)

- Cath Andrew
- catherine.andrew@mazars.co.uk
- 0191 383 6300 or 07815 878 116

Team leader (Assistant
Manager)

- Rebecca Dearden
- rebecca.dearden@mazars.co.uk
- 0191 383 6300 or 07881 283 351

06 Fees for audit and other services ^{4.1}

Our audit fees for the audit of the financial statements and for any assurance or other services are outlined in the tables below.

Area of work	2015/16 Proposed fee	2015/16 Scale Fee	2014/15 Proposed fee
Code audit work	108,938	108,938	145,250
Certification work	10,297	10,297	18,480
Total fee	119,235	119,235	163,730

In 2014/15 we provided assurance services to the Council in respect of its Teachers' Pension return, for which we charged a fee of £2,500. We have not yet been engaged by management to carry out this work for 2015/16 but where this does happen, we anticipate charging a similar fee as last year.

Appendix A - Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement lead.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham, Engagement Lead.

Prior to the provision of any non-audit services the Engagement Lead will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Appendix B – Materiality

4.1

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We have set materiality at the planning stage at £5,232,000 with a clearly trivial threshold of £157,000 below which identified errors will not usually be reported. We have set lower materiality levels for the disclosure of officer remuneration and emoluments and members' allowances as we consider these items to be of specific interest to users of the accounts sufficient to warrant audit procedures which would not otherwise be applied based on the materiality level for the audit as a whole. The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix C – Key communication points

4.1

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present to the Governance Committee the following reports:

- our Audit Strategy Memorandum;
- our Audit Completion Report; and
- Annual Audit Letter.

These documents will be discussed with management prior to being presented to the Audit Committee and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.
- Our independence.
- Responsibilities for preventing and detecting errors.
- Materiality.
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Our conclusions on the significant audit risks and areas of management judgement.
- Unadjusted misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.

Appendix D – Forthcoming accounting and other issues

The 2015/16 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes, of which you should be aware. We provide workshops explaining these changes and invite officers from the Council responsible for preparing the financial statements. The workshops provide full details of the changes in the 2015/16 Code as well as a forward look to potential future accounting changes that may be of relevance to the Council. If you require detailed information on any of these changes or any other emerging issues, please contact any member of the engagement team.

Forthcoming accounting issues

Transport infrastructure assets	How this may affect the Council
The measurement basis for the Council's Transport Infrastructure Assets will change from depreciated historic cost to depreciated replacement cost in 2016/17, but with no prior period restatement required. It is likely that the impact of this change will be significant and that the value of these assets on the Council's balance sheet will significantly increase.	We are aware that the Council has been doing work to meet the significant challenges that it faces in introducing this change in measurement basis and have engaged with them at an early stage to provide advice and assistance where required.
Early deadlines	How this may affect the Council
The Accounts and Audit Regulations 2015 outline earlier deadlines for local authorities to produce their statements of account to 31 May from the 2017/18 financial year. The deadline for the completion of the audit will also move forward to 31 July.	The impacts of this change on local authorities and their auditors are significant and we have begun to discuss how we will meet the challenges the new dates place on us all with Council officers.
Fair Value accounting	How this may affect the Council
The Code adopts the principles of IFRS 13 in respect of measuring fair value for the first time in 2015/16.	If any assets are held as surplus assets (e.g. vacated premises) they will need valuing at market value rather than existing use value.

AUDIT AND GOVERNANCE COMMITTEE

28 April 2016



Report of: Chief Finance Officer

Subject: MAZARS REPORT- FINAL VFM RISK
ASSESSMENT

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 Final VFM Risk Assessment.

2. BACKGROUND

- 2.1 The report sets out Mazars Value for Money assessment based on Auditor Guidance Note 03 issued by the National Audit Office (NAO), which sets out the requirements for value for money (VFM) work in 2015/16. In respect of local government bodies, it states:

"Section 20(1) of the Act requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'."

Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:

Overall criterion: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

3. FINDINGS OF MAZARS

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

4. RISK IMPLICATIONS

- 4.1 Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

5. FINANCIAL CONSIDERATIONS

- 5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

- 6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

- 8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

- 9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

- 10.1 There are no asset management considerations.

11. RECOMMENDATIONS

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

12. REASON FOR RECOMMENDATIONS

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

13. BACKGROUND PAPERS

- 13.1 Audit Strategy Memorandum.

14. CONTACT OFFICER

14.1 Chris Little
Chief Finance Officer
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

Tel: 01429 523003
Email: Chris.Little@Hartlepool.gov.uk

Hartlepool Borough Council

APPENDIX 1 4.2

Value for money risk assessment

March 2016



Contents

Executive Summary 2

Proper arrangements..... 4

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

Executive Summary

Auditor Guidance Note 03 issued by the National Audit Office (NAO), sets out the requirements for value for money (VFM) work in 2015/16. In respect of local government bodies, it states:

"Section 20(1) of the Act requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'."

Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:

Overall criterion: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements but these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-criteria:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

We used the NAO's guidance to carry out an initial risk assessment using a red / amber / green (RAG) rating with the following definitions.

No risks to vfm conclusion identified to date.



Risk indicators to be followed up.



Significant audit risk identified.






The guidance also gives examples of issues or developments which an auditor may consider as significant engagement risks:

- organisational change or transformation;

- significant funding gaps in financial planning;
- legislative or policy changes;
- repeated financial difficulties, or persistently poor performance; and
- other sources.

Overall assessment

The Council's financial position represents a significant risk to our value for money conclusion. Your need to transform services and functions to reduce costs and address funding gaps in future years represents a significant challenge for sustainable resource deployment. The Council has arrangements in place in most areas but there remains a risk of those arrangements not achieving the required outcome. Our audit risk assessment is dynamic and can change as the audit progresses and new information is considered.

Proper arrangements	
Informed decision making	 Amber
Sustainable resource deployment	 Red
Working with partners and other third parties	 Amber

Sustainable resource deployment is categorised as red and therefore we consider that there is a significant risk impacting our VFM Conclusion This audit risk is directly linked to the ongoing austerity programme and the need to reduce costs and transform services to address the forecast deficit in the medium term financial plan. Informed decision making and working with partners are rated amber as we need to carry out further work. More details on each sub criteria can be found in the tables in section 2 of this report.

We have identified a number of areas where further work is required for us in seeking sufficient assurance to inform our conclusion and these are set out below.

Review of:

- finance and budget monitoring reports;
- medium term financial plan;
- progress on savings and Better Care Funding; and
- performance monitoring and service delivery reports.

Proper arrangements




The NAO guidance defines proper arrangements based on existing sector requirements to have arrangements in place to ensure proper governance, resource and risk management, and internal controls, and to report on the design and operation of those arrangements through Annual Governance Statements. For councils, this is the CIPFA/SOLACE framework for local government.


Drawing on the relevant requirements applicable to local bodies, proper arrangements cover the areas detailed in the tables in this section of the report.

The Council has updated its medium term financial strategy (MTFS) as part of the budget setting process and in January approved:




- a council tax level increase for 2016/17 of 3.9%, including the 2% social care precept; and
- use of earmarked reserves to balance the revenue budget.

Informed decision making



Proper arrangements	RAG Rating	Arrangements at Hartlepool Borough Council
Acting in the public interest, through demonstrating and applying the principles and values of sound governance.	 Amber	<ul style="list-style-type: none"> • Regular and appropriate finance and performance monitoring, final position on savings and performance for the year to be confirmed. • Constitution on the website and subject to regular review and update. • Council plan refreshed annually and published, including consultation with public and partners. Updated and revised during the year reflecting changing or new priorities.
Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	 Amber	<ul style="list-style-type: none"> • No data quality issues in respect of performance information we are aware of, final position to be confirmed. • Regular and appropriate finance and performance reports, final position to be confirmed. • MTFS reviewed and updated annually as part of budget setting, funding gap in future years. • Various strategies, policies and plans on the website and in the Constitution.
Reliable and timely financial reporting that supports the delivery of strategic priorities.	 Amber	<ul style="list-style-type: none"> • Regular and timely reporting to members, final position to be confirmed. • Updated Council plan on the website. • MTFS being updated as part of budget setting.


Proper arrangements	RAG Rating	Arrangements at Hartlepool Borough Council
Managing risks effectively and maintaining a sound system of internal control.	 Green	<ul style="list-style-type: none"> • Risk register and risk management arrangements in place. Regular reporting to members. • Annual governance statement prepared, reviewed and approved by members. • Regular reporting by Internal Audit on internal control.

Sustainable resource deployment

Proper arrangements	RAG Rating	Arrangements at Hartlepool Borough Council
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	 Red	<ul style="list-style-type: none"> • Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services to date, however pressures emerging in year. • Future need to transform services to reduce costs. • Funding gap in future years.
Managing and utilising assets effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> • Asset register in place, details on the website as part of LG transparency code information. • Asset management plan in place. • Ongoing monitoring and assessment of assets with a view to reduce asset base and associated costs.
Planning, organising and developing the workforce effectively to deliver strategic priorities.	 Green	<ul style="list-style-type: none"> • Organisational development is one of the nine themes of the council plan and is part of ongoing review of services and future transformation. • HR policies and procedures in place.

Working with partners and other third parties

Proper arrangements	RAG Rating	Arrangements at Hartlepool Borough Council
Working with third parties effectively to deliver strategic priorities.	 Amber	<ul style="list-style-type: none"> • Various policies and framework for partnership working on the external website including information about Combined Authority. • Service reviews include consideration of partnership working. • Better Care Fund outcomes to be confirmed.
Commissioning services effectively to support the delivery of strategic priorities.	 Amber	<ul style="list-style-type: none"> • Council plan in place and on the website. • Successful in reducing costs in line with savings plans, includes working with partners. • Better Care Funding outcomes to be confirmed.

Proper arrangements	RAG Rating	Arrangements at Hartlepool Borough Council
Procuring supplies and services effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> • Constitution in place, regularly reviewed and updated. • Commissioning and procurement strategy in place and part of guidance available on the website. • ‘Standards and Partners’ document on website to explain processes in place.

AUDIT AND GOVERNANCE COMMITTEE

28 April 2016



Report of: Chief Finance Officer

Subject: ROLE OF THE CHIEF FINANCE OFFICER
(CFO) IN PUBLIC SERVICE ORGANISATIONS

1. PURPOSE OF REPORT

- 1.1 To inform Members of the CIPFA statement – ‘The Role of the CFO in Public Service Organisations’, and how the Council complies with this guidance.

2. BACKGROUND

- 2.1 The role of the CFO is a fundamental building block of good corporate governance and the Local Government Act 1972 (section 151) requires ‘every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs’. This statutory requirement is reinforced by the Local Government and Housing Act 1989 (section 6) which requires that the Section 151 officer is a qualified accountant and a member of an accountancy body approved by the Secretary of State.
- 2.2 The two critical aspects of the CFO’s role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources. The CFO, as the organisation’s most senior executive role charged with leading and directing financial strategy and operations, occupies a pivotal role, both for external stakeholders and within the Leadership Team. CFOs everywhere have a responsibility to ensure that their organisations control and manage money well, and that strategic planning and decision making are supported by sound analysis.
- 2.3 In the public service context, CFOs must also meet the demands of openness and accountability in decision making, balance competition for limited resources across a range of worthwhile objectives, deliver value for money and safeguard taxpayers’ money. Delivering these requires a range of personal qualities, as well as support from both the finance function and the organisation as a whole. It is these

expectations, combined with the personal qualities and leadership skills needed for them to be met, that have shaped the CIPFA Statement on the Role of the CFO in Public Service Organisations (the statement).

- 2.4 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- The Organisation;
- The Role: and
- The Individual.

- 2.5 For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or in some authorities may even outsource, but the CFO should maintain oversight and control. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.

3. CIPFA STATEMENT ON THE ROLE OF THE CFO IN PUBLIC SERVICE ORGANISATIONS

3.1 The CFO in a public service organisation:

- 1** is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- 2** must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- 3** must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- 4 must lead and direct a finance function that is resourced to be fit for purpose; and
- 5 must be professionally qualified and suitably experienced.

3.2 Appendix A of the report details how the Council ensures that the requirements of the statement are met.

4. RISK IMPLICATIONS

4.1 Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

5. FINANCIAL CONSIDERATIONS

5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

10.1 There are no asset management considerations.

11. RECOMMENDATION

11.1 It is recommended that Members

- i) note that I have reviewed the CIPFA statement – ‘The Role of the CFO in Public Service Organisations’ and can advise Members that the Council complies with these requirements as detailed in Appendix A.

12. REASON FOR RECOMMENDATIONS

- 12.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with best practice in relation to the information it receives from officers.

13. BACKGROUND PAPERS

- 13.1 CIPFA Statement on the Role of the CFO in Public Sector Organisations.

14. CONTACT OFFICER

- 14.1 Chris Little
Chief Finance Officer
Civic Centre
Victoria Road
Hartlepool
T24 8AY

Tel: 01429 523003

Email: Chris.little@hartlepool.gov.uk

Appendix A

How the Five Principles Are Met

Principle 1 – The CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Set out a clear statement of the respective roles and responsibilities of the Leadership Team and its members individually.	Constitution, Delegated Powers, Job Descriptions in place and clearly define roles and responsibilities.	Contributing to the effective leadership of the organisation, maintaining focus on its purpose and vision through rigorous analysis and challenge.	Corporate Management Team role, delegated powers. CFO leads on all financial matters and ensures Policy and Finance Committee and Corporate Management Team (CMT) buy-in in to Medium Term Financial Strategy and supporting strategies.	Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct.	Actively engaged in the Leadership and Management Development Programme (LMDP). Provides training regarding financial issues to members and staff. Mentors senior finance staff and has regular Finance Management Team meetings and 1 to 1 meeting with senior finance staff.
Ensure that the CFO reports directly to the Chief Executive and is a member of the Leadership Team with a status at least equivalent to other members.	CFO reports directly to Chief Executive. Has regular 1 to 1 meetings with Chief Executive. Is a member of Corporate Management Team.	Contributing to the effective corporate management of the organisation, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and	See Above	Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.	See Above.

		performance management.			
If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.	Not applicable - see Above	Supporting the effective governance of the organisation through development of – corporate governance arrangements, risk management and reporting framework; and – corporate decision making arrangements.	Responsible for the provision an adequate and effective Internal Audit service. Key role in formulating the Annual Governance Statement and Code of Corporate Governance.	Build robust relationships both internally and externally.	See Above. Regular meetings with Directors and other senior managers facilitate establishment of robust relationships. Active member of Tees Valley Strategic Finance Officers Group, ANEC Finance Group and CIPFA Municipal Treasurers Group. Regular meetings with external auditors.
Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board, and ensure that it is monitored and updated.	Constitution and Scheme of Delegation in place.	Leading or promoting change programmes within the organisation.	Key role in Business Transformation Programme and Service Delivery Options.	Work effectively with other Leadership Team members with political awareness and sensitivity.	Member of CMT. Regular contact with all members including Leader, Policy Committee Chairs and Audit and Governance Committee.
Ensure that organisation's governance arrangements allow the CFO: – to bring influence to bear on all	Constitution and Scheme of Delegation in place as well as defined reporting arrangements.	Leading development of a medium term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes matters and ensuring Members and Corporate Management Team	Support collective ownership of strategy, risks and delivery.	Member of CMT. Represented on Performance and Risk Management Group. Member of Annual Governance Statement Group.

material business decisions; and – direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit.		delivery.	(CMT) buy-in in to Medium Term Financial Strategy and supporting strategies, such as Business Transformation Programme.		
Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.	Review of corporate financial management through Business Transformation Programme has focused CFO role on core financial management to ensure and effective strategy is developed and implemented to address the financial challenges facing the Council over the next few years.	Ensuring the medium term financial strategy reflects joint planning with partners and other stakeholders.	Wide consultation undertaken with all relevant stakeholders.	Address and deal effectively with difficult situations.	Peer review carried out by Chief Executive. Ongoing review of skills via LMDP.
Assess the financial skills required by members of the Leadership Team and commit to develop those skills to enable their roles to be carried out effectively.	Overarching Leadership and Management Development Programme (LMDP)/Management Academy in place.			Implement best practice in change management and leadership.	Ongoing development through LMDP/Management Academy and peer review/mentoring. Involvement in SDO reviews.
				Balance conflicting pressures and needs, including short and longer term trade-offs.	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes.

4.3

Demonstrate strong commitment to innovation and performance improvement.	Key role in Business Transformation Programme and Service Delivery Options.
Manage a broad portfolio of services to meet the needs of diverse communities.	Responsible for full range of financial services aligned with corporate priorities and needs through MTFS.
Maintain an appropriate balance between the deeper financial aspects of the CFO role and the need to develop and retain a broader focus on the environment and stakeholder expectations and needs.	See Above.
Comply with the IFAC Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by reason of their professional status. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and	Professional standards integral to role. Commitment to Professional CPD and LMDP/Management Academy.

professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.

Principle 2 – The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's overall financial strategy.

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Establish a medium term business and financial planning process to deliver the organisation's strategic objectives, including: – a medium term financial strategy to ensure sustainable finances; – a robust annual budget process that ensures financial balance; and – a monitoring process that enables this to be delivered.	MTFS in place, monitoring arrangements and role of Council, Policy and Finance Committee and Audit and Governance Committee enshrined in the Constitution.	Responsibility for financial strategy: Agreeing the financial framework with sponsoring organisations and planning delivery against the defined strategic and operational criteria.	Responsibility for the production, implementation and monitoring of the MTFS.	Implement appropriate management, business and strategic planning techniques.	Responsibility for MTFS and budgetary control processes.
Ensure that professional advice on matters that have financial implications is available and recorded well in	The reporting of key decisions is enshrined within the Constitution.	Maintaining a long term financial strategy to underpin the organisation's financial viability within the agreed performance	See Above.	Link financial strategy and overall strategy.	Responsibility for MTFS and budgetary control processes.

advance of decision making and used appropriately.		framework.			
Ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and giving clear explanations of financial issues and their implications.	See Above	Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.	Responsibility for the production, implementation and monitoring of Financial Procedure Rules (FPRs) and Standing Orders.	Demonstrate a willingness to take and stick to difficult decisions – even under pressure.	Key role in Business Transformation Programme and Service Delivery Options.
		Appraising and advising on commercial opportunities and financial targets.	Budget monitoring process and Budget Strategy, key decision advice.	Take ownership of relevant financial and business risks.	Represented on Performance and Risk Management Group. Member of Annual Governance Statement Group
		Developing and maintaining an effective resource allocation model to deliver business priorities.	See Above	Network effectively within the organisation to ensure awareness of all material business decisions to which CFO input may be necessary.	Member of CMT. Regular contact with Chief Executive, Directors, other senior officers, members, Trade unions,
		Co-ordinating the planning and budgeting processes.	See Above. Annual budget timetable well established and enshrined in constitution.	Role model persuasive and concise communication with a wide range of audiences internally and externally.	See Above. Externally represent Council in meeting with Business sector and various resident groups/ad-hoc budget consultation events.
		Influencing decision making: Ensuring that	Budget Strategy and monitoring process, key decision advice in relation	Provide clear, authoritative and impartial professional advice and	Addressed in MTFS and associated presentation to Finance and Policy

4.3

opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.	to financial and governance matters.	objective financial analysis and interpretation of complex situations.	Committee and other groups. Ongoing development through LMDP and management review/mentoring.
Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.	Key decision advice in relation to financial and governance matters.	Apply relevant statutory, regulatory and professional standards both personal and organisational.	See Above.
Ensuring that the organisation's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.	Member of Strategic Asset Management Programme Team (SCRAPT).	Demonstrate a strong desire to innovate and add value.	
Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.	Close working relationship with CMT ensure early involvement with innovative approaches to services and financial arrangements to ensure compliance with regulatory requirement and proposals are based on robust business cases.	Challenge effectively, and give and receive constructive feedback.	Ongoing development through LMDP and management review/mentoring. 1 to 1 meetings with Chief Executive and key financial staff.
Financial information for decision makers: Monitoring and reporting on financial performance that is linked to related	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters.	Operate with sensitivity in a political environment.	Ongoing development through LMDP and peer review/mentoring. Regular contact with members, TU's local

performance information and strategic objectives that identifies any necessary corrective decisions.	Corporate Plan aligned with financial PI's.		business and the community.
Preparing timely management accounts.	Final Accounts timetable.		
Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.	Effective and wide ranging consultation process in place.		

Principle 3 – The CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution.	Promotion of financial management: Assessing the organisation's financial management style and the improvements needed to ensure it aligns with the organisation's strategic direction.	Strategic direction reflected in MTFS.	Generate 'buy-in' to, and support delivery of, good financial management across the organisation.	Achieved through detailed involvement of Finance and Policy Committee and CMT in development of financial management strategy and procedures for ensuring good financial management arrangements are in place.
Ensure that systems and processes for financial administration, financial control and protection of the organisation's	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Audit and Governance Committee in line with legislative arrangements.	Actively promoting financial literacy throughout the organisation.	Allocation of named financial leads to support named budget holders promotes close working relationship and ensure financial management arrangements are	Develop and sustain partnerships, and engage effectively in collaboration.	

resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.			effective. Influencing force behind LMDP.		
Address the organisation's arrangements for financial and internal control and for managing risk in Annual Governance Reports.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Audit and Governance Committee in line with legislative arrangements. Internal Audit Section adequately resourced.	Value for money: Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function.	Advisory role in terms of CMT and all key committee decisions in respect of financial matters.	Deploy effective facilitation and meeting skills.	
Publish annual accounts on a timely basis to communicate the organisation's activities and achievements, its financial position and performance.	Delegated Powers and Final Accounts process.	Developing and maintaining appropriate asset management and procurement strategies.	Key member of SCRAPT (Strategic Capital Resource and Asset Programme Team) and Corporate Procurement Group.	Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.	
Maintain and resource an effective internal audit function.	Audit and Governance Committee remit and effective internal audit assessment carried out annually.	Managing long term commercial contract value.		Place stewardship and probity as the bedrock for management of the organisation's finances.	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters. Corporate Plan aligned

					with financial PI's.
Develop and maintain an effective Audit Committee.	Audit and Governance Committee role and responsibility enshrined in Constitution. Regular training of Audit and Governance Committee members.	Safeguarding public money: Applying strong internal controls in all areas of financial management, risk management and asset control.	Direct line management responsibility for all audit matters.		
Ensure that the organisation makes best use of resources and that taxpayers and/or service users receive value for money.	Delegated Powers relating to Budget Strategy and Budget Monitoring Process.	Establishing budgets, financial targets and performance indicators to help assess delivery.	Budget Strategy and Budget Management Process aligned to corporate plan.		
Embed financial competencies in person specifications and appraisals.	Corporate competencies framework, job descriptions and person specifications.	Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.	Direct line management responsibility for all audit matters, FPR's and Standing Orders.		
Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.	See Above	Ensuring that delegated financial authorities are respected.	Performance review mechanisms PI's, Direct line management responsibility for all audit matters.		
		Promoting arrangements to identify	Performance and Risk Management Group, Line		

	and manage key business risks, including safeguarding assets, risk mitigation and insurance.	management responsibility for Insurance matters.
	Overseeing of capital projects and post completion reviews.	Direct line management responsibility for capital accounting and member of SCRAPT.
	Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.	Direct line management responsibility for all audit matters, FPR's and Standing Orders. CFO personally involved in development and implementation of Treasury Management strategy.
	Implementing appropriate measures to prevent and detect fraud and corruption.	Direct line management responsibility for all audit matters, FPR's and Standing Orders. Money Laundering Reporting Officer (MLRO) responsibilities.
	Establishing proportionate business continuity arrangements for financial processes and information.	Corporate lead on Business Continuity.
	Ensuring that any partnership arrangements are underpinned by clear and well documented	Direct line management responsibility for all audit matters, FPR's and Standing Orders.

internal controls.	
Assurance and scrutiny: Reporting performance of both the organisation and its partnerships to the board and other parties as required.	Performance review mechanisms PI's, Direct line management responsibility for all audit matters.
Supporting and advising the Audit Committee and relevant scrutiny groups.	Regular attendance enshrined in job specification.
Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.	Responsibility for the production, implementation and monitoring of the MTFS, publishing budget information on Council Tax leaflet and Hartbeat. Responsible for preparing accounts and consolidated government returns.
Liaising with the external auditor.	Direct line management responsibility for all audit matters. Regular meeting with external auditor.

Principle 4 – The CFO must lead and direct a finance function that is resourced to be fit for purpose.					
Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution.	Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.	Direct line management responsibility for all corporate financial matters.	Create, communicate and implement a vision for the finance function.	Responsibility for the production, implementation and monitoring of the MTFS. Regular 1 to 1 with senior finance officers
Ensure there is a line of professional accountability to the CFO for finance staff throughout the organisation.	Structural makeup enshrined in Delegated Powers. FPRs and Standing Orders enshrined within Constitution.	Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.	Delegated powers regarding all financial and governance matters.	Role model a customer focussed culture within the finance function.	Leads by example in approach with Directors and other senior managers that finance function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.
		Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.	See Above. Recruitment follows corporate proceeds and based on job descriptions and person specification.	Establish an open culture, built on effective coaching and a “no blame” approach.	Regular 1 to 1 meetings with senior finance staff. Open door policy for all staff. CFO accepts responsibility for actions of all team members and encourages staff to use learn from experiences in a ‘no blame’ environment.
		Reviewing the performance of the finance function and ensuring that the	Corporate Plan reviewed and monitored. 1 to 1 meetings with senior finance manager and	Promote effective communication within the finance department, across the broader	Finance Management Team meetings for internal communication. All finance staff briefing

4.3

services provided are in line with the expectations and needs of its stakeholders.	regular performance appraisals.	organisation and with external stakeholders.	as and when appropriate. Presentations to external groups as appropriate. Article in Hartbeat.
Seeking continuous improvement in the finance function.	Departmental plans constantly monitored. Key role in BTP.	Apply strong project planning and process management skills.	
Identifying and equipping finance staff, managers and the Leadership Team with the financial competencies and expertise needed to manage the business both currently and in the future.	1 to 1 meetings with finance managers. Full engagement of CMT in development of financial strategies. Lead officer in financial aspects of LMDP.	Set and monitor meaningful performance objectives for the finance team.	Corporate appraisal system in place. Regular 1-2-1's
Ensuring that the Head of Profession role for all finance staff in the organisation is properly discharged.	Delegated Section 151 responsibilities enshrined in Constitution. All finance staff report directly to CFO.	Role model effective staff performance management.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.
Acting as the final arbiter on application of professional standards.	See Above	Coach and support staff in both technical and personal development.	As above.
		Promote high standards of ethical behaviour, probity, integrity and honesty.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.
		Ensure, when necessary, that outside expertise is called upon for specialist	Actively seek professional expertise where needed i.e.

advice not available within the finance function.	Treasury management, complex taxation issues etc.
Promote discussion on current financial and professional issues and their implications.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.

Principle 5 – The CFO in a public service organisation must be professionally qualified and suitably experienced.

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	Constitution and delegated powers in operation. Job description and person specification for CFO.			Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.	CFO is member of CIPFA and meets CPD requirements.
Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.	See Above.			Adhere to international standards set by IFAC on: – ethics – Continuing Professional Development.	As above.
				Demonstrate IT literacy.	CFO has required IT

4.3

	skills for role and is able to manage and challenge the departmental IT experts to ensure they are able to effectively discharge their responsibilities.
Have relevant prior experience of financial management in the public services or private sector.	CFO qualified with CIPFA in 1993 and has held a variety of position with Hartlepool, before appointment as CFO in 2010, including Chief Accountant and ACFO (Corporate Finance). Since 1996 the current CFO has acted as lead finance officer for financial services provided to Cleveland Fire Authority (CFA) and in April 2014 was appointed Treasurer to the CFA.
Understand public service finance and its regulatory environment.	CFO has 23 years' post qualification experience and sound understanding of public service finance and its regulatory environment.
Apply the principles of corporate finance, economics, risk management and accounting.	See above

4.3

Understand personal and professional strengths.	CFO has a clear understanding of these issues and is committed to continuous improvements. These issues addressed through performance appraisal.
Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.	CFO role has been refocused on core financial responsibilities to ensure financial challenges faces the Council can be managed. CFO has clear understanding of no-financial areas affecting his role.

AUDIT AND GOVERNANCE COMMITTEE

28 April 2016



Report of: Chief Finance Officer

Subject: ROLE OF THE HEAD OF INTERNAL AUDIT IN
LOCAL GOVERNMENT

1. PURPOSE OF REPORT

- 1.1 To inform Members of the CIPFA statement – “The Role of the Head of Internal Audit in Local Government”, and to demonstrate how the Council complies with this guidance.

2. BACKGROUND

- 2.1 The Statement describes the role of the Head of Internal Audit (HIA) in local government. CIPFA believes the HIA occupies a critical position in a local authority, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. Local authorities need to know that they have strong arrangements for controlling their resources and for delivering their objectives. CIPFA believes that HIA's have a unique role to play here. They are senior managers whose business is objectively assessing these arrangements and the risks that authorities face and giving appropriate assurances. HIA's must also provide leadership, promoting good governance and helping authorities to address future challenges.
- 2.2 HIA's need to review the whole system of control, both financial and non-financial, and focus on the areas where assurance is most needed. The HIA also has to give an annual opinion on the adequacy and effectiveness of the control environment; this is used by Chief Executives as a primary source of evidence for their annual governance statement.
- 2.3 HIA's must also be able to show that they can meet the needs of stakeholders such as Chief Executives and Audit Committees, adding value by helping to improve services whilst retaining their objectivity. They also need to work well with partners and other auditors.

Authorities should see the Statement as best practice and use it to assess their HIA arrangements to drive up audit quality and governance arrangements.

3. THE KEY ROLE PLAYED BY THE HIA

- 3.1 Internal audit is one of the cornerstones of effective governance. The HIA is responsible for reviewing and reporting on the adequacy of the authority's control environment, including the arrangements for achieving value for money. Through the annual internal audit opinion and other reports the HIA gives assurance to the Leadership Team and others, and makes recommendations for improvement.
- 3.2 The HIA's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. The role is particularly important when authorities are facing uncertain or challenging times. Fulfilling the role requires a range of personal qualities. The HIA has to win the support and trust of others, so that he/she is listened to, and the HIA's role as a critical friend means that sometimes difficult messages must be given and acted on. It is these expectations, combined with the professional, personal and leadership skills required, that have shaped the CIPFA Statement on the role of the HIA in Local Government.
- 3.3 **Primary audience**
The primary audience for this Statement is those who rely on the HIA's assurances – the Leadership Team and the Audit and Governance Committee. CIPFA recommends that they should examine their own authority against this Statement to satisfy themselves that they have effective HIA arrangements in place.
- 3.4 **Local government context**
CIPFA has drawn up a separate Statement for local government because of the statutory responsibility of specific post holders regarding internal audit and governance. In local government the 'Section 151' officer (the Chief Financial Officer or CFO) is a statutory post as is the Monitoring Officer (often the Head of Legal Services) and the Head of Paid Service (often the Chief Executive). The HIA needs to work well with these post holders and lines of responsibility need to be clear.
- 3.5 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in local government and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- the organisation;
- the role; and
- the individual.

For each principle the Statement sets out the governance arrangements required within an authority to ensure that HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise authorities can expect from their HIA. These include the requirements of CIPFA and the other professional bodies' codes of ethics and professional standards to which the HIA as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases support other principles as well.

3.6 **Demonstrating compliance**

The Statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the Leadership Team of a local authority to benchmark its existing arrangements against a defined framework.

- 3.7 CIPFA recommends that authorities use the Statement as the framework to assess their existing arrangements and that they should report publically on compliance to demonstrate their commitment to good practice. CIPFA also proposes that authorities should report publicly where their arrangements do not conform to the compliance framework in this Statement, explaining the reasons for this, and how they achieve the same impact. CIPFA will consider how to take this forward in the context of the CIPFA/Society of Local Authority Chief Executives (SOLACE) guidance on good governance.

4. **CIPFA STATEMENT ON THE ROLE OF THE HIA IN LOCAL GOVERNMENT**

The Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:

1 – championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and

2 – giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role the Head of Internal Audit:

3 – must be a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit Committee;

4 – must lead and direct an internal audit service that is resourced to be fit for purpose; and

5 – must be professionally qualified and suitably experienced.

5. PROCESS FOLLOWED

- 5.1 The review is undertaken annually in line with best practice requirements. Appendix A of the report details how the Council ensures that the requirements of the statement are met. Details of the requirements of the statement are outlined along with how the arrangements in place at the council satisfy those requirements.

6. RISK IMPLICATIONS

- 6.1 Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

7. FINANCIAL CONSIDERATIONS

- 7.1 There are no financial considerations.

8. LEGAL CONSIDERATIONS

- 8.1 There are no legal considerations.

9. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 9.1 There are no child and family poverty considerations.

10. EQUALITY AND DIVERSITY CONSIDERATIONS

- 10.1 There are no equality and diversity considerations.

11. STAFF CONSIDERATIONS

11.1 There are no staff considerations.

12. ASSET MANAGEMENT CONSIDERATIONS

12.1 There are no asset management considerations.

13. RECOMMENDATION

13.1 It is recommended that Members

- i) Note that I have reviewed the CIPFA statement – “The Role of the Head of Internal Audit in Local Government” and can advise Members that the Council complies with these requirements as detailed in Appendix A.

14. REASON FOR RECOMMENDATIONS

14.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with current best practice in relation to the information it receives from officers.

15. BACKGROUND PAPERS

15.1 CIPFA statement – “The Role of the Head of Internal Audit in Local Government”.

16. CONTACT OFFICER

16.1 Chris Little
Chief Finance Officer
Civic Centre
Victoria Road
Hartlepool
T24 8AY

Tel: 01429 523003
Email: chris.little@hartlepool.gov.uk

How the Five Principles Are Met

Principle 1 – The HIA in a local authority plays a critical role in delivering the authority’s strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Set out the HIA’s role in good governance and how this fits with the role of others, in particular the CFO, the Monitoring Officer and the Head of Paid Service.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Working with others (including the CFO, the Monitoring Officer and the Head of Paid Service) to promote the benefits of good governance throughout the organisation.	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between CFO and IA.</i>	Provide leadership by giving practical examples of good governance that will inspire others.	<i>HIA undertakes proactive role on relevant working parties and officer groups i.e. Performance and Risk Management Group.</i>
Ensure that the importance of good governance is stressed to all in the authority, through policies, procedures and training.	<i>Code of Corporate Governance agreed by the Audit and Governance Committee And adopted by Council. Job descriptions and Management Academy training programme cover governance requirements.</i>	Giving advice to the Leadership Team and others on the control arrangements and risks relating to proposed policies, programmes and projects.	<i>Regularly report to Audit and Governance Committee and Senior Management through CFO and CMT on all aspects of governance arrangements.</i>	Deploy effective facilitating and negotiating skills.	<i>HIA undergoes Continuous Professional Development (CPD) tailored to requirements of the role i.e. CIPFA Certificate in Investigatory Practices.</i>
Ensure that the HIA is consulted on all proposed major projects, programmes and policy initiatives.	<i>Protocols in place to ensure regular liaison with key officers and CMT.</i>	Promoting the highest standards of ethics and standards across the authority based on the principles of integrity, objectivity, competence and confidentiality.	<i>HIA role as per CIPFA Code of Practice for Internal Audit in Local Government as enshrined in the Audit Manual.</i>	Build and demonstrate commitment to continuous improvement.	<i>As above</i>

4.4

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Require staff to report suspected or detected fraud, corruption or impropriety to the HIA.	<i>Corporate Anti-Fraud and Corruption Strategy agreed by Audit and Governance Committee</i>	Demonstrating the benefits of good governance for effective public service delivery and how the HIA can help.	<i>HIA undertakes proactive role on relevant working parties and officer groups i.e. Performance and Risk Management Group.</i>	Demonstrate consultancy skills as appropriate – analytical, problem solving, influencing and communicating.	As above
		Offering consultancy advice where the HIA considers that it is appropriate, drawing up clear terms of reference for such assignments.	<i>Resource built into Audit Plan for advice and guidance to be provided, within strictly agreed scope, terms of reference and outcomes.</i>		

Principle 2 – The HIA in a local authority plays a critical role in delivering the authority's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Set out the responsibilities of the HIA, which should not include the management of operational areas	<i>Job Description in place. Audit Strategy and Charter sets out terms of reference as agreed by Audit and Governance Committee.</i>	Giving assurance on the control environment. This includes risk and information management and internal controls across all systems.	<i>Annual opinion provided to Audit and Governance Committee in line with Public Sector Internal Audit Standards, covering all aspects of governance arrangements.</i>	Give clear, professional and objective advice.	<i>Reporting arrangements agreed with management based on a shared understanding of requirements.</i>
Ensure that internal audit is independent of external audit.	<i>Internal and External Audit protocol in place.</i>	Reviewing the adequacy of key corporate arrangements including e.g. risk strategy, risk register, anti fraud and corruption strategy, corporate plan.	<i>All aspects of governance arrangements covered in the annual Internal Audit Plan as agreed by management and the Audit and Governance Committee.</i>	Report on what is found, without fear or favour.	<i>Reporting arrangements enshrined within the Audit Strategy and Charter as reflected in the Audit Manual in line with best practice.</i>
Where the HIA does have operational responsibilities the	<i>Not Applicable.</i>	Producing evidence based annual internal audit opinion on the	<i>Annual opinion report HIA is produced and presented to the Audit</i>	Demonstrate integrity to staff and others in the authority.	<i>HIA undergoes CPD tailored to requirements of the role i.e. CIPFA</i>

4.4

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
HIA's line manager and the Audit Committee should specifically approve the IA strategy for these and associated plans and reports and ensure the work is independently managed.		authority's control environment.	<i>and Governance Committee by the HIA.</i>		<i>Certificate in Investigatory Practices.</i>
Establish clear lines of responsibility for those with an interest in governance (e.g. Head of Paid Service, Monitoring Officer, Head of Paid Service, Audit Committee, Members). This covers responsibilities for drawing up and reviewing key corporate strategies, statements and policies.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Code of Corporate Governance outlines responsibilities with regard to governance arrangements.</i>	Working closely with others to ensure that sufficient and relevant evidence is used. Where relying on others, clarifying the degree and basis for the reliance.	<i>Reporting arrangements compliant with Public Sector Internal Audit Standards.</i>	Exercise sound judgement in identifying weaknesses in the authority's control environment and a balanced view on how significant these are.	<i>Experience gained over 23 year Internal Audit career. Professional guidance followed in relation to risk measurement.</i>
Establish clear lines of reporting to the Leadership Team and to the Audit Committee where the HIA has significant concerns.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Rights of access to key members and officers detailed.</i>	Reviewing significant partnership arrangements and major services provided by third parties and the controls in place to promote and protect the authority's interests.	<i>Internal Audit plan encompasses partnership arrangements and highlighted as key area of concern of Audit and Governance Committee.</i>	Work well with others with specific responsibilities for internal control, risk management and governance including the Head of Paid Service, the Monitoring Officer, the CFO, Audit Committee and	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between CFO and IA. Relationships built up over a number of years.</i>

4.4

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
		Assessing whether lines of responsibility and assurance are clear.		Members.	
Agree the terms of reference for internal audit with the HIA, the Audit Committee and the CFO, as well as with the Leadership Team.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Liaising closely with the external auditor to share knowledge and to use audit resources most effectively.	<i>Protocol in place for joint working with External Audit.</i>	Be concerned for action - influencing the Leadership Team, Audit Committee and others to ensure that the HIA's recommendations are implemented.	<i>As above</i>
Set out the basis on which the HIA can give assurances to other organisations and the basis on which the HIA can place reliance on assurances from others.	<i>Audit Manual sets out roles and levels of assurances.</i>	Producing an internal audit strategy that fits with and supports the authority's objectives.	<i>Strategy produced and agreed by management and Audit and Governance Committee.</i>	Be a role model, dynamic, determined, positive, robust and with resilient leadership, able to inspire confidence and respect and exemplify high standards of conduct.	<i>Experience gained over 23 year Internal Audit career. HIA CPD tailored to requirements of the role.</i>
Ensure that comprehensive governance arrangements are in place, with supporting documents covering e.g. risk management, corporate planning, anti fraud and corruption and whistle blowing.	<i>Production of Annual Governance Statement in line with best practice covering all aspects of the governance framework and supporting documentation in place.</i>	Reviewing the authority's risk maturity (including the authority's own assessment) and reflecting this in the strategy.	<i>Key member of Performance and Risk Management Group reviewing risk strategy, maturity and tolerance.</i>		
Ensure that the annual internal audit opinion and report are issued in the name of the HIA.	<i>Reported independently by the HIA to the Audit and Governance Committee.</i>	Consulting stakeholders, including senior managers and Members on the internal audit strategy.	<i>Internal Audit Strategy agreed by senior management before approval sought from the Audit and Governance</i>		

4.4

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
			<i>Committee.</i>		
Include awareness of governance in the competencies required by members of the Leadership Team.	<i>Job descriptions and CIPFA's "Excellent Auditor Framework" covering governance requirements</i>	Setting out how the HIA plans to rely on others for assurance on the authority's controls and risks and taking account of any limitations in assurance given by others.	<i>Internal Audit Strategy and Charter in place with Public Sector Internal Audit Standards detailing day to day arrangements.</i>		
Set out the framework of assurance that supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for preparing the report.	<i>Included in the Annual Governance Statement which is produced by senior management.</i>	Liaising with external inspectors and review agencies where appropriate when drawing up the internal audit strategy.	<i>The process followed is recorded in the Audit Manual.</i>		
Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by the Leadership Team.	<i>Internal Audit Strategy agreed by senior management before approval by the Audit and Governance Committee.</i>	Liaising with the external audit on the internal audit strategy, but not being driven by external audit's own priorities.	<i>Protocol in place for joint working with External Audit.</i>		

Principle 3 – The HIA in a local authority must be a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit Committee.

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Designate a named individual as HIA in	<i>HIA designated individual employed within the</i>	Escalating any concerns through the line	<i>Protocols in place and enshrined in Internal Audit</i>	Network effectively to raise the profile and	<i>Relationships built up over a number of years</i>

4.4

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement.	<i>Authority.</i>	manager, CFO, Monitoring Officer, Head of Paid Service, Audit Committee, Leadership Team and external auditor as appropriate.	<i>Charter and Strategy for escalation of concerns.</i>	status of internal audit.	<i>backed up by regular meetings, 1-2-1s with key officers.</i>
Ensure that where the HIA is an employee that they are sufficiently senior and independent within the authority's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to the Management Team.	<i>HIA senior manager within the Finance function reporting directly to the CFO with access to key officers as detailed in the Internal Audit Strategy Charter and Councils Constitution.</i>	Supporting the Audit Committee in reviewing its own effectiveness and advising the Chair and line manager of any suggested improvements.	<i>Audit and Governance Committee provided with advice and guidance to enable it to fulfil its function.</i>	Adopt a flexible style, being able to collaborate and advise but also able to challenge as appropriate.	<i>Experience gained over 23 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with CFO in order to support development in all areas.</i>
Ensure that where the HIA is an employee the HIA is line managed by a member of the Management Team. Where the HIA is not	<i>HIA senior manager within the Finance function reporting directly to the CFO.</i>	Consulting stakeholders, including senior managers and Members on the internal audit strategy.	<i>Internal Audit Strategy agreed by senior management before approval by the Audit and Governance Committee.</i>	Deploy effective facilitation and meeting skills.	<i>As above</i>

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
an employee then the reporting line must be clearly set out in the contract or agreement with the internal audit supplier.					
Establish an Audit Committee in line with guidance and good practice.	<i>Audit and Governance Committee established in line with CIPFA guidelines.</i>			Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.	<i>As above</i>
Set out the HIA's relationship with the Audit Committee and its Chair.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>			Place stewardship and probity as the bedrock for management of the organisation's finances.	<i>Leads by example in approach with Directors and other senior managers that Internal Audit function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.</i>
Ensure that the authority's governance arrangements allow the HIA: <input type="checkbox"/> to bring influence to bear on material decisions reflecting governance <input type="checkbox"/> direct access to the Chief Executive, other Leadership Team members, the Audit Committee and	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Rights of access to key members and officers detailed.</i>			Build productive relationships both internally and externally.	<i>Relationships built up over a number of years backed up by regular meetings, 1-2-1s with key officers.</i>

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
external audit □ to attend meetings of the Leadership Team and Management Team where the HIA considers this to be appropriate.					
Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.	<i>Councils Constitution details access arrangements for Internal Audit, reflected in the Audit Manual.</i>			Work effectively with the Leadership Team and Audit Committee with political awareness and sensitivity.	<i>Experience gained over 23 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with CFO in order to support development in all areas.</i>
Set out the HIA's responsibilities relating to partners including joint ventures and outsourced and shared services.	<i>Major ventures undertaken detail rights of access to Internal Audit for governance opinion purposes.</i>			Be seen to be objective and independent but also pragmatic where appropriate.	<i>As above</i>

Principle 4 – The HIA in a local authority must lead and direct an internal audit service that is resourced to be fit for purpose.

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Provide the HIA with the resources, expertise and systems necessary	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for</i>	Leading and directing the internal audit service so that it makes a full contribution to and	<i>Approval and consultation process for the Internal Audit plan ensures that it adds value to the</i>	Demonstrate leadership and be an ambassador for internal audit.	<i>HIA undergoes CPD tailored to requirements of the role i.e. CIPFA Certificate in</i>

4.4

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
to perform their role effectively.	<i>ensuring they are met.</i>	meets the needs of the authority and external stakeholders.	<i>organisation. HIA responsible for facilitating this process.</i>		<i>Investigatory Practices.</i>
Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate.	<i>Internal Audit report annually to the Audit and Governance Committee on a wide range of performance measures.</i>	Determining the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; using a full range of resourcing options including consultancy, working with others and buying in where appropriate.	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met.</i>	Create, communicate and implement a vision for the internal audit service.	<i>HIA has a clear understanding of these issues and is committed to continuous improvements. These issues addressed through performance appraisal.</i>
Ensure that there is a regular external review of internal audit quality.	<i>Constant review by CFO via performance monitoring and appraisal system. Currently considering how to comply with Public Sector Internal Audit Standards regarding four yearly reviews.</i>	Informing the CFO, the Leadership Team and Audit Committee if there are insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given.	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met and reporting arrangements if shortfalls are anticipated.</i>	Create a customer focused internal audit service	<i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i>
Ensure that where the HIA is from another organisation that they do not also provide the external audit service.	<i>Not Applicable.</i>	Implementing robust processes for recruitment of internal audit staff and/or the procurement of internal audit services from external suppliers.	<i>Corporate recruitment process followed for any appointments made.</i>	Establish an open culture, built on effective coaching and a constructive approach.	<i>HIA undergoes CPD tailored to requirements of the role.</i>
		Ensuring that the professional and personal training needs for staff are assessed	<i>Professional guidance implemented in respect of training needs and development issues are</i>	Promote effective communication within internal audit, across the broader organisation and	<i>HIA has a clear understanding of these issues and is committed to continuous</i>

4.4

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
		and seeing that these needs are met.	<i>addressed.</i>	with external stakeholders.	<i>improvements.</i>
		Developing succession plans and helping staff with their career progression.	<i>As above</i>	Set and monitor meaningful performance objectives for staff.	<i>CIPFA “Excellent Auditor Framework” implemented within section for all training and development needs.</i>
		Establishing a quality assurance and improvement programme that includes: ensuring that professional internal audit standards are complied with; reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders; providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and Audit Committee; annually reporting achievements against targets; putting in place adequate ongoing monitoring and periodic review of internal audit work and	<i>CIPFA guidance in relation to continuous improvement followed.</i>	Manage and coach staff effectively	<i>As above.</i>

4.4

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
		supervision and review of files, to ensure that audit plans, work and reports are evidence based and of good quality; ensuring that any internal auditors declare any interests that they have; seeking continuous improvement in the internal audit service.			
		Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIA's and learning from them, implementing improvements where appropriate.	<i>Member of Better Governance Forum, Technical Information Service, CIPFA NE IA Group, North East Fraud Forum in order to ensure up to date with current best practice and ideas.</i>	Comply with professional standards and ethics	<i>Professional standards and ethics outlined within Audit Manual and also bound Public Sector Internal Audit Standards.</i>
		Demonstrating how internal audit adds value to the authority.	<i>Annual report to the Audit and Governance Committee.</i>	Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality. In particular, ensuring that internal auditors identify and report any conflicts of interest and act appropriately	<i>As above as well as procedures for the identification and recording of conflicts of interest are detailed in the Audit Manual.</i>
				Ensure, when necessary, that outside expertise is	<i>Arrangements in place to ensure specialist</i>

4.4

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				called upon for specialist advice not available within the internal audit service.	<i>services can be procured as and when necessary.</i>
				Promote discussion on current governance and professional issues and their implications.	<i>HIA mentors audit staff undertaking regular team meetings to facilitate discussion. Role on various working groups ensures topics are discussed and disseminated.</i>

Principle 5 – The HIA in a local authority must be professionally qualified and suitably experienced

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Appoint a professionally qualified HIA whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	<i>Job description and recruitment process ensure only appropriately qualified and experienced individuals considered.</i>			Be a full member of an appropriate professional body and have an active programme for personal professional development.	<i>HIA qualified with CIPFA in 1997 and actively participates in mandatory CPD scheme</i>
Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in his or her role.	<i>As above, monitoring and mentoring role undertaken by CFO in his role as Section 151 officer ensures compliance.</i>			Adhere to professional internal auditing (and where appropriate accounting and auditing) standards.	<i>HIA member of CIPFA for 19 years and is bound by all relevant professional and personal requirements.</i>

4.4

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consultancy.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by CFO.</i>
				Have prior experience of working in internal audit.	<i>HIA has held a variety of position within Local Government, before appointment as HIA in 2008, including Group Auditor at HBC and Head of Audit at a district council.</i>
				Understand and have experience of strategic objective setting and management.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by CFO.</i>
				Understand the internal audit and regulatory environment applicable to public service organisations.	<i>HIA has 19 years' post qualification experience and sound understanding of public service governance arrangements and its regulatory environment.</i>
				Demonstrate a comprehensive understanding of governance, risk management and internal control.	<i>Regularly advises management on these issues and is a key member of the Performance and risk Management Group.</i>
				Undertake appropriate development or obtain relevant experience as appropriate in order to demonstrate an understanding of the full	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by CFO.</i>

4.4

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				range of the authority's activities and processes.	

AUDIT AND GOVERNANCE COMMITTEE

28 April 2016



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT OUTCOME REPORT
2015/16

1. PURPOSE OF REPORT

- 1.1 To inform members of the outcomes of audit work covering the period April 2015 to March 2016.

2. BACKGROUND

- 2.1 This report provides accountability for Internal Audit delivery and performance and allows Members to monitor the application of the delegated authority for ensuring an effective and satisfactory internal audit function. All audit work carried out during the year has been in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 as reflected in the Internal Audit Manual, and has taken into account UK Public Sector Internal Audit Standards (PSIAS). Auditors are instructed to declare if they have any links to the subject matter of any audits undertaken or relationships with auditees that could compromise the impartiality or objectivity of the work undertaken.
- 2.2 Information for Members on the standards of financial administration and management arrangements operating within the Authority is detailed in this report, together with a progress report on the extent of implementation of audit action plans. The consideration and effective implementation of audit action plans is fundamental in ensuring effective financial stewardship and robust financial systems, controls and procedures.
- 2.3 This report also details the performance of Internal Audit in 2015/16 on a range of key performance indicators.
- 2.4 Hartlepool Borough Council also provides the audit services to the Cleveland Fire Authority. In addition to the audits detailed in Appendix

A, Internal Audit completed 14 major systems and probity reviews for the CFA during 2015/16.

3. AUDIT INPUTS 2015/16

- 3.1 There were 1076 audit days allocated at 1.04.15 to planned and responsive activities during 2015/16.
- 3.2 Staffing resources were as anticipated, ensuring that all high-risk functions were reviewed and a balanced program of work covering all Council departments was achieved for 2015/16.

4. OUTCOMES

- 4.1 Appendix A schedules all the planned audits undertaken in 2015/16. At the time this report was completed end of year work was being finalised on the payroll, benefits and non domestic rates systems, however sufficient reliance could be placed on testing completed for the purposes of the 2015/16 audit opinion. Only a minority of systems and arrangements reviewed required improvement in Hartlepool.
- 4.2. From the work undertaken during the year 2015/16, I have reached the opinion that reliance can be placed on the adequacy and effectiveness of the organisations control environment. Key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy. Satisfactory arrangements were implemented to ensure the effective, efficient and economic operation of Hartlepool Borough Council's financial affairs.
- 4.3 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance. These risks are reflected in the audit plan and are the subject of separate reports issued during the course of 2015/16.

5. FOLLOW UP

- 5.1 Audit reports are issued to auditees following a discussion of any audit findings and risks. Each report includes an Action Plan developed by management and agreed with Internal Audit, recording:
- Action taken to revise systems, procedures and operating arrangements;
 - A timescale for introducing the action plan improvements.
- 5.2 In accordance with Public Sector Internal Audit Standards, a system of follow up of agreed action plans is in operation to monitor what action has been taken by management in response to audit work. During 2015/16, all audits completed, that had reached the date when a follow up was due, have been the subject of follow up activity.

This position is positive and indicates a commitment by management to further improve controls and financial systems throughout the Authority. Further follow up work is planned in 2016/17 for those actions not yet implemented.

6. MONITORING INTERNAL AUDIT PERFORMANCE

- 6.1 Internal Audit is committed to the delivery of a quality service, which accords with the UK Public Sector Internal Audit Standards, and to being responsive to the needs of service departments. In common with other central service providers, a number of core performance indicators for Internal Audit Services have been determined for 2015/16. Performance against these targets is detailed below:

Internal Audit Performance Indicators

Indicator	Target Set for 2015/16	Actual Performance 2015/16
Completion of fundamental systems audits provides assurance that financial procedures are operating effectively.	90%	92%
In addition to the managing auditor reviews, quality reviews of Teammate working paper files and evidence by the Head of Audit and Governance to ensure compliance with the standards laid down in Codes of Practice and adopted in the Internal Audit Manual.	10%	10%
Percentage of Audit Reports issued within 10 working days of audit completion.	87.5%	100%
Percentage of Action Plans followed up within 6 months of completion of the audit.	100%	100%
Annual Report to Members by 30 th June following year-end.	30.06.16	28.04.16

7. RISK IMPLICATIONS

- 7.1 Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

8. FINANCIAL CONSIDERATIONS

- 8.1 There are no financial considerations.

9. LEGAL CONSIDERATIONS

- 9.1 There are no legal considerations.

10. CHILD AND FAMILY POVERTY CONSIDERATIONS

10.1 There are no child and family poverty considerations.

11. EQUALITY AND DIVERSITY CONSIDERATIONS

11.1 There are no equality and diversity considerations.

12. STAFF CONSIDERATIONS

12.1 There are no staff considerations.

13. ASSET MANAGEMENT CONSIDERATIONS

13.1 There are no asset management considerations.

14. RECOMMENDATION

14.1 That Members note the contents of the report.

15. REASONS FOR RECOMMENDATIONS

15.1 The information in the report allows members of the committee to review the opinion of the Head of Audit and Governance and fulfils the statutory requirement of the Head of Audit and Governance.

16. BACKGROUND PAPERS

16.1 Internal Audit Reports;
Internal Audit Quarterly Updates;
CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006;
UK Public Sector Internal Audit Standards (PSIAS 2013).

17. CONTACT OFFICER

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

Tel: 01429 523173

Email: Noel.Adamson@Hartlepool.gov.uk

Appendix A

Summary of Internal Audit Planned Work Undertaken for 2015/16

Audit	Assurance Level
Non Domestic Rates	Satisfactory
Empty Homes Scheme	Satisfactory
Recycling/Landfill	Satisfactory
Members Allowances	Satisfactory
Main Accounting System	Satisfactory
Insurance	Satisfactory
Payroll	Satisfactory
Loans and Investments	Satisfactory
Risk Management	Satisfactory
Budgetary Control	Satisfactory
Troubled Families Grant	Satisfactory
Employees Register Gift and Hospitalities	Satisfactory
Controcc Computer Application	Satisfactory
Increasing Levels of Physical Activity	Satisfactory
Rossmere Park Primary	Satisfactory
St Cuthbert's Primary	Satisfactory
High Tunstall College of Science	Satisfactory
St Hilds Secondary	Satisfactory
St John Vianney Primary	Satisfactory
IT Backup Procedures	Satisfactory
Highways	Satisfactory
SIMS Application Controls	Limited
HBC Banking Contract	Satisfactory
Local Council Tax Support Scheme	Satisfactory
5 – 19 Year Old Health Provision	Satisfactory
Sexual Health Services	Satisfactory
Smoking Cessation	Satisfactory
Officers Expenses	Satisfactory
Purchase Card	Limited
Cash/Bank	Satisfactory
Energy Management	Satisfactory
Pupil Referral Unit	Satisfactory
Northgate Community Fund	Satisfactory
Troubled Families Grant	Satisfactory
Local Welfare Support Fund	Satisfactory
Centre of Excellence for Teaching and Learning	Satisfactory
Section 17 Welfare Payments	Satisfactory
Care Act	Satisfactory
Fens Primary	Satisfactory
Holy Trinity Primary	Satisfactory
Elwick and Hart Primary	Satisfactory
Car Parking	Limited
Street Lighting Scheme	Satisfactory
Direct Payments	Satisfactory
Information and Security Retention Policy	Limited
Debtors	Satisfactory
Main Accounting System	Satisfactory

Integra System Controls	Satisfactory
Youth Offending	Satisfactory
ITU Private Hire	Limited
Budgetary Control	Satisfactory
Public Mental Health Services	Satisfactory
Social Care Financial Assessment	Satisfactory

AUDIT AND GOVERNANCE COMMITTEE

28 April 2016



Report of: Chief Finance Officer

Subject: ANNUAL GOVERNANCE STATEMENT
2015/16

1. PURPOSE OF REPORT

- 1.1 To inform Members of the implications to the Council of the Accounts and Audit Regulations (England) 2015 requirement; that the Council publish an Annual Governance Statement (AGS) with the Financial Statements, and the action undertaken by the Council to meet its obligations within the scope of the Regulations.
- 1.2 The report considers the following areas:
- Why the Council needs an AGS,
 - Who is responsible,
 - How the AGS was produced.

2. WHY

- 2.1 To clearly demonstrate to stakeholders, that the Council has adequate arrangements in place to ensure that it effectively manages and controls its financial and operational responsibilities in accordance with acknowledged best practice. Paragraphs 2.2 to 2.3 detail positive benefits to the Council of achieving this end.

2.2 Statutory Requirement

The Accounts and Audit Regulations require that: “the Council ensures that its financial management is adequate and effective and that there is a sound system of internal control which effectively facilitates its functions and which includes arrangements for the management of risk.

The Council shall conduct a review at least once a year of the effectiveness of its internal controls and shall include a statement on internal control with any statement of accounts it is obliged to publish”.

2.3 Good Governance

Production and publication of an AGS are the final stages of an ongoing review of internal control and are not activities which can be planned and viewed in isolation. Compilation of an AGS involved the Council in:

- Reviewing the adequacy of its governance arrangements,
- Knowing where it needs to improve those arrangements, and
- Communicating to users and stakeholders how better governance leads to better quality public services.

3. WHO

3.1 Corporate Responsibility

The Council's system of internal control must reflect its overall control environment, not just financial, which encompasses its organisational structure. Internal control is a corporate responsibility and the scope of internal control accordingly spans the whole range of the Council's activities and includes controls designed to ensure:

- The Council's policies are put into practice and its values are met,
- Laws and regulations are complied with,
- Required processes are adhered to,
- Financial statements and other information are accurate and reliable,
- Human, financial and other resources are managed efficiently and effectively, and
- High quality services are delivered efficiently and effectively.

3.2 Contributors to the AGS

- Audit and Governance Committee
- CMT
- Assistant Chief Executive
- CFO
- Monitoring Officer
- External Auditors and other Review Bodies
- Internal Audit and
- Management.

4. HOW

4.1 Having established a system of internal control, it is then necessary to consider which of these controls are key in mitigating against significant risk. By obtaining assurance on the effective operation of

these key controls the Council is able to conclude on the effectiveness of the systems and identify where improvement is needed.

The review of internal control and AGS assurance gathering included:

- Establishing obligations and objectives,
- Identifying principal risks,
- Identifying and evaluating key controls to manage risks,
- Obtaining assurances on the effectiveness of controls,
- Evaluating assurances,
- Action planning to correct issues and continuously improve.

4.2 In practice the Council already had most of the necessary internal controls in place, what was required was to incorporate them into a framework for producing an AGS that met the requirements of the Regulations. In order to do this the Council has:

- Identified roles and responsibilities,
- Provided training,
- Gone through a process of establishing objectives, identifying risks and recording controls,
- Gathered and retained evidence for inspection,
- Drafted the AGS.

4.3 The AGS will form part of the Councils Statement of Accounts and will be publicised and available on the Councils Website or by request to the Councils Contact Centre.

4.4 In order to support members in the process of approving the Annual Governance Statement the Better Governance Forum has provided briefing papers for Audit and Governance Committee members in public sector bodies. The briefing paper is attached after the statement for members consideration in relation to issues they may want assurance on regarding the content and process followed in producing the statement. This committee report has been drafted in such a way as to answer the questions posed within the Better Governance Forum Briefing.

5. RISK IMPLICATIONS

5.1 Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

6. FINANCIAL CONSIDERATIONS

6.1 There are no financial considerations.

7. LEGAL CONSIDERATIONS

7.1 There are no legal considerations.

8. CHILD AND FAMILY POVERTY CONSIDERATIONS

8.1 There are no child and family poverty considerations.

9. EQUALITY AND DIVERSITY CONSIDERATIONS

9.1 There are no equality and diversity considerations.

10. STAFF CONSIDERATIONS

10.1 There are no staff considerations.

11. ASSET MANAGEMENT CONSIDERATIONS

11.1 There are no asset management considerations.

12. RECOMMENDATIONS

12.1 That Members review and approve the attached 2014/15 Annual Governance Statement.

13. REASONS FOR RECOMMENDATIONS

13.1 In order for members to fulfil the remit of the committee it is important they review and approve the Annual Governance Statement in the context of all reports and information received over the course of the municipal year.

14. BACKGROUND PAPERS

14.1 Accounts and Audit Regulations 2015;
CIPFA/Solace Good Governance Framework;
Internal Audit Opinion/Reports;
External Audit Reports.

15. CONTACT OFFICER

15.1 Chris Little
Chief Finance Officer
Civic Centre
Victoria Road
Hartlepool
T24 8AY

Tel: 01429 523003

Email: Chris.little@hartlepool.gov.uk

HARTLEPOOL BOROUGH COUNCIL **ANNUAL GOVERNANCE STATEMENT**

1 Scope of Responsibility

- 1.1 Hartlepool Borough Council is responsible for ensuring that:
- Its business is conducted in accordance with the law and proper standards,
 - Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.Hartlepool.gov.uk or can be obtained from the Councils Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1), which requires all relevant bodies to prepare an annual governance statement.

2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of

effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31st March 2016 and up to the date of approval of the statement of accounts.

- 2.3 In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Chief Finance Officer and the Assistant Chief Executive. As part of the process regular updates have been given to the Performance and Risk Management Officer Group and the Corporate Management Team (CMT).

3 Significant Governance Issues Update from 2014/15 Statement

- 3.1 Progress has been made over the course of 2015/16 to actively manage and address issues identified as part of the 2014/15 process. This approach ensures the Council actively manages these issues. The table below identifies action that has been taken to mitigate the areas identified.

Issue Raised	Action Undertaken
Delivery of Medium Term Financial Strategy	Revised Savings Programme encompassing key required programme elements at a corporate and department level were developed and implemented. Strategic multi year approach to financial management has been implemented. Member's seminars and staff communication strategy in conjunction with budget monitoring and defunding budgets at decision point have been implemented. Project planning and management reporting to Finance and Policy Committee and CMT have all been implemented.
Delivery of Council Plan	The Council plan has been largely delivered and is reported to Members via Finance and Policy Committee on a quarterly basis. The plan for 2016/17 has been developed based on the priorities established and in the light of the revised MTFS and will be the subject of the same approval processes and monitoring.
Joint Working Arrangement with Health and other external partners, e.g. the Children's Hub.	Reports presented to members on 21.9.15 and 14.3.16, updating progress and outlining future development of the Children's Hub.

4 The Governance Framework

4.1 The key elements of the Council's Governance Framework are as follows:

Hartlepool Borough Council has adopted a constitution, which sets out how the Council operates, how decisions are made, the procedures that are followed to ensure that these decisions are efficient and transparent, and sets out the terms of reference for the Committee structure. The constitution was developed in accordance with the Local Government Act 2000 and it sets out the delegated responsibilities to key officers such as the Monitoring Officer and Section 151 Officer. An officer working group supported the governance working group in developing proposals for the new constitution in line with the outcome of the Mayoral referendum. The new constitution was agreed on 6th March, 2013 with training delivered for officers and members in respect of the requirements and expectations. The Constitution has subsequently been reviewed and the outcomes reported to Council on the 3rd April 2014 with a supplemental review reported to Council on 30th October 2014. A further update was reported to Council on 26th March 2015.

4.2 Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and members where appropriate. Workforce Services policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. Induction training is arranged by Customer and Workforce Services for all staff, departments have responsibility to provide induction training specific to their departmental needs. Legal personnel participate in training events.

4.3 Committee terms of reference are included in the constitution. A procedure is in place to ensure that all Committee agendas, minutes and supporting material are available to all staff on the Council's intranet, and to the public on the Council's Internet site.

4.4 The constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures and legislative changes. The constitution is available to all employees on the intranet and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit and Governance Committee on 10th December, 2015 and referred to Council for approval on 18th February, 2016 for the financial year 2016/17. The approved Treasury Management Strategy includes the Investment and Borrowing

strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and DCLG guidance. The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Chief Finance Officer reports to the Audit and Governance Committee how the Council financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

- 4.5 The full range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Council.
- 4.6 Workforce Services has drawn up policies to ensure suitably qualified employees are employed in key areas. Supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new Members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.
- 4.7 A Health and Safety Policy has been approved and published and a Communication Strategy implemented to ensure general awareness.
- 4.8 The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides audit coverage of partnership arrangements.
- 4.9 The Council reviewed and adopted their Community Strategy on 3rd April 2014 following consultation with residents and key partners. This identified a number of key priorities for Hartlepool which would be the main focus for improvement over the following 5 years. The Council's performance management arrangements are based around an Outcome Framework which has been developed over a number of years and is set out around the 8 themes of the Community Strategy plus an additional Organisational Development theme. This integration has enhanced management and political accountability. The Council produces an annual Council Plan that incorporates the strategic priorities of the 4 departments the most recent of which was agreed by Council on 17th March 2016 for the 2016/17 financial year.
- 4.10 The Council's Outcome Framework is reviewed annually and agreed by Finance and Policy Committee, most recently on 14th March 2016. Departments also complete extensive consultation with service users, forums, partners and residents. The feedback from these exercises is used to link service and departmental objectives to both the planning process for service delivery and to the corporate outcomes. In order to further embed the process of risk management, control identification

and the production of the AGS into the culture and management processes at the Council, risks to meeting departmental outcomes and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together service planning, risk management and control identification which has enabled a much more focussed and joined up approach to the use of management information and the production of the AGS. Progress against the Council Plan is reported to CMT and Finance & Policy Committee on a quarterly basis.

- 4.11 A Data Quality framework is in place with Internal Audit conducting a targeted annual review of PIs. The Council's Performance Management system (Covalent) includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. Covalent also includes action plans, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, actions, risks and PIs.
- 4.12 Key performance indicators are identified in the Council plan. These indicators are monitored throughout the year and quarterly reports are presented to Members on the delivery of performance targets.
- 4.13 Key policies such as the Corporate Complaints Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. The Council is a member of the IPF Better Governance Forum, the National Anti Fraud Network and also takes part in regular National Fraud Initiative reviews and the North East Fraud Forum. The Council is currently updating its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing
- 4.14 The Council agreed the current Risk Management Framework on 5th March 2015. The Framework sets out the structure of the Council's risk registers and the agreed risk tolerance level which helps to prioritise risk activity. Key risks are identified within the Council Plan and changes are reported to Elected Members quarterly through the service planning process.
- 4.15 The Framework is available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the process to all relevant staff in their departments.
- 4.16 There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Regular risk introduction/refresher sessions are offered as and when individual departments/teams require them.

- 4.17 The Finance and Policy Committee Chair is Hartlepool Borough Councils risk 'champion'. Each department also has a risk co-ordinator. Risks and control measures relating to the Council Plan are analysed within the quarterly reports to help ensure that risk and performance reporting are linked. The Council Plan is considered as part of the preparation of the AGS.
- 4.18 The Council's Performance and Risk Management system (Covalent) holds the risk registers. Risk registers are also maintained for significant projects. Officers that manage risks are notified that risks need to be reviewed and progress is monitored on a quarterly basis through the service planning process. Departments have access to a central funding pot for risk management to assist in the financing of risk mitigation.
- 4.19 The Council has a long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (CEPU). The Council's Emergency Management Response Team (EMRT) meets bi-monthly and contributes to the makeup of the Council's Major Incident Plan which is tested yearly.
- 4.20 A review of the Council's Flu Pandemic Plan is being undertaken by Public Health to take into account the changes in the National Health Pandemic Flu Plan. Once this is completed the plan will be incorporated into the Corporate Business Continuity Plan.
- 4.21 The Corporate Business Continuity Group meets Quarterly and includes lead officers from all departments and the Hartlepool Emergency Planning Officer. A Revised Business Continuity Policy and accompanying Plan has been developed to complement the existing Business Continuity Database. A rolling exercising programme is in place to test the plan focusing on two separate services per year. Work is still ongoing to identify and document formal decant arrangements for the delivery of priority services in the event of a disruption.
- 4.22 The Equality Act 2010 came into force on 1st October, 2010 and brought together over 116 separate pieces of legislation into one single Act. The Act provides a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Act covers the 9 protected characteristics – age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, gender and sexual orientation.
- 4.23 The Public Sector Equality Duty (PSED) is supported by "specific duties" to assist public bodies to achieve the aims of the general duty. Under the specific duties, the Council must:
- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31st January each year; and
 - Develop and publish equality objectives by 6th April, 2012 and then every four years.

- 4.24 In order to demonstrate our compliance with the above requirements, we have compiled two equality reports 'Equality Information 2016' and 'Workforce Equalities Information 2015' to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis both reports are regularly updated. Our latest equality objectives were agreed by Council as part of the Council Plan 2016/17 on 17th March 2016.
- 4.25 Equality issues must influence the decisions reached by public bodies - in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others. We do this by considering impacts on equality as an integral part of our decision-making process and this is reflected in reports to Committees in the Equality & Diversity Considerations section.
- 4.26 Internal Audit reports on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audits performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules.
- 4.27 Other review bodies external to the Council also make regular reports on efficiency, effectiveness and compliance with regulations. Ofsted has rated the Council's Children's Services as "performing well". Most childcare providers and schools are rated "good" or "outstanding" and none are "inadequate". The Care Quality Commission has rated the Council's adult social care as excellent and Hartlepool Connect has achieved the Customer Service Excellence standard. In their 2014/15 Annual Audit Letter, Mazars, the Council's External Auditor, issued an unqualified opinion on the financial statements and value for money conclusion at the Council.

5 Review of Effectiveness

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Governance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Corporate Management Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Chief Finance Officer – The CFO carries out a review of the effectiveness of the system of internal audit and reports the findings to the Audit and Governance Committee. The CFO reports to the Audit and Governance Committee how the Council's financial arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control and reviewing annually Internal Audit. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit is reviewing its procedures in line with Public Sector Internal Audit Standards (PSIAS).
 - Internal Audit reports to the Section 151 Officer and Audit and Governance Committee.
 - The Head of Audit and Governance provides an independent opinion on the adequacy and effectiveness of the system of internal control, quarterly update reports and an annual internal audit performance report to the Audit and Governance Committee.
 - Internal audit plans are formulated from an approved risk assessment package.
- External Audit – in their annual audit letter, comment on their overall assessment of the Council. It draws on the findings and conclusions from the audit of the Council.

- Other review and assurance mechanisms: for example, Department of Education, Care Quality Commission, Ofsted, Audit Commission, HMI Probation and Service Excellence.

5.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

6 **Significant Governance Issues**

6.1 The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Medium Term Financial Strategy, the sustainability of services and level of performance.	Revised Savings Programme encompassing key required programme elements at a corporate and department level. Strategic multiyear approach to financial management implemented. Member's seminars and staff communication strategy. Budget monitoring and defunding budgets at decision point process. Project planning and management reporting to Finance and Policy Committee and CMT. Enhanced financial management and reporting as identified in peer review.	2016/18	CMT
2	Delivery of Council Plan.	The development and agreement of a revised Council Plan taking into account the impact of the financial challenges facing the Council, with regular performance reporting to CMT and Members.	2017/18	CMT

3	Ensuring adequate management arrangements for non core grant funding.	The Government is increasing Council reliance on competitively secured time limited grant resources for projects requires the authority to have in place robust arrangements for managing such funding streams. Ongoing assurance of adequate systems to ensure appropriate governance. Development and agreement of strategy and plan for effective working between HBC and partners.	2016/17	CMT
---	---	--	---------	-----

- 6.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Hartlepool Borough Council:

.....

Chief Executive

.....

Chair of Audit and Governance Committee

Reviewing the Annual Governance Statement or Statement on Internal Control

What is an Annual Governance Statement (AGS), Statement on Internal Control (SIC) or Statement on Internal Financial Control (SIFC)?

The AGS, SIC or SIFC is a public statement, normally included with your statement of accounts, which explains how your organisation manages its governance and control arrangements. They are produced by both public and private sector organisations.

What does my organisation need to have?

Confusingly not all public bodies have the same requirement! While CIPFA recommends that all local government bodies in the UK have an Annual Governance Statement, this is only a statutory requirement in England and Northern Ireland. Welsh authorities have a Statement on Internal Control although an AGS is likely to be required from 2010/11 as the Welsh Assembly Government have consulted on this. In Scotland authorities are required to have a Statement on Internal Financial Control. Central government bodies and health authorities are all required to have a Statement on Internal Control.

What's included in these statements?

Although the names are different, there are many similarities between these statements as they all evolved out of the Statement on Internal Financial Control. And there are common features in all good statements. A good statement is open and honest, stating what works well and where improvements are needed. It includes a plan, showing who is responsible for taking action and when they will take action by. It also outlines progress against previous action plans. Whilst the focus of an SIFC is on financial controls, the other statements cover the full range of internal controls and the AGS covers wider governance matters such as ethics and leadership too. The statement summarises the key processes for delivering good systems of control and governance and indicates who is responsible for what. Processes are likely to include internal audit activity, risk management, performance management and other types of review and challenge. Responsibility lies with management, especially senior management, and the audit committee has an important role to play in providing challenge and oversight.

What does the Audit Committee do?

The audit committee has an on-going role in delivering good governance. Every time it reviews an audit report (internal or external) or holds an officer to account for his or her action (or inaction), it is helping to deliver good governance. In relation to the statement itself, the audit committee should take a robust and challenging approach, ensuring that:

- The statement reflects the organisation and is an honest self-assessment. Members should review evidence and challenge it where they believe it to be inaccurate or incomplete.
- They have sufficient assurance from enough separate parts of the organisation (this is known as 'triangulation' in audit circles) to be confident that, where controls and governance are deemed to be good, they are good and, where weaknesses are identified, the statement contains an accurate assessment of those weaknesses.
- The statement itself is well written and would be understood by someone with no knowledge of your organisation. In other words, it should be in plain English, with no jargon and it should include sufficient explanations.
- The action plan addresses all identified problem areas, including those identified in previous years where actions remain incomplete. Actions should be SMART (specific, meaningful, allocated, realistic and timely).

What makes for good governance?

Good practice approaches include:

- Creating and regularly reviewing a vision and direction for your organisation so that everyone understands what they are there to deliver.
- Indicating the level of service to be delivered – you can't be excellent at everything so what will you concentrate on and what can be good enough?
- Board / Member and officer roles are clearly defined, with schemes of delegation and codes of practice/conduct, so that everyone understands what they should and should not be doing.
- Having standing orders, financial regulations and guidance notes so that everyone knows what procedures are to be followed.
- A robust, challenging and supporting audit committee to provide oversight and review.
- Arrangements to ensure that you comply with laws and regulations and identify and act on changes promptly.
- Appropriate and flexible whistle-blowing arrangements.
- Methods to identify and act on officer and member development needs.
- Excellent and open communication with your community.
- Ways to ensure good governance in all your partnerships.
- Promotion of the values of good governance and ethical standards.

How do you draw up a good statement?

- Review and map your assurance framework to make sure that it covers all areas, including the hard to reach ones such as partnerships, and that you do not have any duplication in assurance.
- Obtain wide engagement – not just the head of audit or governance doing everything, but getting mini-governance or assurance statements from directors and heads of service that contribute to the overarching statement and/or setting up a working group to develop the statement.
- Be open and honest – it's about improvement and adding value, not about looking good.
- Be prepared to challenge yourself and look for areas for improvement, perhaps by benchmarking or comparing yourself with other organisations.
- Compare the assurances received to the strategic risk register. Are there any high risk areas that have not been adequately covered?
- Look for any inconsistencies or discrepancies. For example, has assurance been provided that there are no significant problems in an area but you have conflicting evidence from elsewhere (audit, risk, performance, complaints, fraud, etc)?
- Check progress against action plans during the year so problems can be dealt with quickly and governance becomes part of the way we do things round here, not just a once-a-year activity.
- Ensure that the action plan is widely known and understood in the organisation and beyond so that those charged with action are held to account and delivery is more likely.

Key questions to ask:

1. What process has the organisation gone through to gather evidence to support the AGS? Has it involved staff from across the organisation?

2. Have assurance statements already gone through a process of challenge and review prior to presentation to the audit committee? What did this show?

3. Does the action plan flow out of the statement and identify the major issues we need to address as an organisation?

4. Does the action plan include actions outstanding from previous years, prioritised as necessary?

5. How will the action plan be communicated to staff, stakeholders and the public?

HEALTH AND WELLBEING BOARD

MINUTES AND DECISION RECORD

19 January 2016

The meeting commenced at 2.00 pm in the Civic Centre, Hartlepool

Present:

Dr Schock (In the Chair)

Prescribed Members:

Elected Members, Hartlepool Borough Council – Councillors Carl Richardson, Chris Simmons and Paul Thompson
Representative of Hartlepool and Stockton-on-Tees Clinical Commissioning Group – Karen Hawkins (as substitute for Alison Wilson)
Director of Public Health, Hartlepool Borough Council - Louise Wallace
Director of Child and Adult Services, Hartlepool Borough Council – Jill Harrison (as substitute for Sally Robinson)
Representatives of Healthwatch – Margaret Wrenn

Other Members:

Chief Executive, Hartlepool Borough Council – Gill Alexander
Representative of Hartlepool Voluntary and Community Sector – Tracy Woodhall
Representative of Tees Esk and Wear Valley NHS Trust – David Brown (as substitute for Martin Barkley)
Representative of Cleveland Police – Temporary Assistant Chief Constable Ciaran Irvine (as substitute for Simon Nickless)

Also in attendance:

Desmond Dongo – Chair, Hartlepool Asylum Seeker and Refugee Group
Zoe Sherry, Healthwatch
Stephen Thomas – Development Officer, Healthwatch

Hartlepool Borough Council Officers:

Simon Howard, Public Health Speciality Registrar
Rob Smith, Principal Regeneration Officer
Joan Stevens, Scrutiny Manager
Amanda Whitaker, Democratic Services Team

46. Apologies for Absence

Councillor C Akers-Belcher, Leader of Council (Chair)
Representative of Hartlepool and Stockton-on-Tees Clinical Commissioning

Group – Alison Wilson
Representative of Healthwatch – Ruby Marshall
Representative of North Tees and Hartlepool NHS Foundation Trust – Alan Foster
Representative of Tees Esk and Wear Valley NHS Trust – Martin Barkley

47. Declarations of interest by Members

Dr Schock declared a potential prejudicial interest in agenda items 5.1 and 5.2 and advised that she would leave the meeting during consideration of those items.

The Board agreed that Councillor Richardson would chair the meeting during consideration of items 5.1 and 5.2.

48. Minutes

The minutes of the meeting held on 30 November 2015 were confirmed

Referring to matters arising from the minutes, the Director of Public Health referred to minute 43 and advised that a sub group had met recently to progress the issues highlighted in the Chief Fire Officer's presentation. A report would be submitted to a future meeting of the Board.

With reference to minute 49 of the meeting held on 2 March 2015, the representative of Hartlepool Voluntary and Community Sector advised the Board that the issue she had brought to the attention of the Board, in relation to the provision of palliative care drugs to the Hartlepool and District Hospice, had not been resolved. The Associate Director of Commissioning and Delivery, Hartlepool and Stockton-on-Tees Clinical Commissioning Group, advised that she would pursue the matter.

Further to minute 47, Dr Schock vacated the Chair.

Councillor Richardson in the Chair.

49. North East Urgent and Emergency Care Vanguard – December 2015 *(Chief Officer, Hartlepool and Stockton-on-Tees Clinical Commissioning Group)*

The Board was informed of the North East Urgent and Emergency Care Vanguard and the associated governance arrangements for the newly formed Regional Urgent and Emergency Care Network (UECN) Group. The report included background information and provided details of the formation, membership and aims and structure of the Network Group.

The Board was advised that in January 2015 the NHS had announced the 'Vanguard' Programme where organisations and partnerships had been invited to apply to become 'vanguard' sites for the development of new

models of care, described within the NHS Five Year Forward view. The Urgent Care Vanguard programme had been announced in July and the North East Vanguard application had been subsequently successful. Vanguards would spearhead national work on the transformation of urgent and emergency care, benefiting from a programme of support and investment from the £200m transformation fund. It was essential that the key deliverables identified were progressed at pace and implemented across the region in preparation for national roll out. The Network would build upon existing UEC initiatives as well as developing new models of care producing an overall urgent care strategy for the region building on and supplementing existing local (CCG and Local Authority) strategies. NHS England had recognised the challenges faced by vanguard sites and had developed a bespoke support package comprising of eight key enablers as illustrated in the report.

It was noted that there was a national programme of support for vanguards with a clear driving principle of co-production. Following the successful Vanguard application a national site visit of subject matter experts had taken place. The objectives of the sessions were set out in the report and discussions from breakout sessions had been recorded within the site visit outcome summary. A regional UEC vanguard visioning event had been held also which reaffirmed the vision and principles of the North East UEC vanguard. In addition, the first Urgent & Emergency Care Clinical Reference Group had been held on the 6th November. A table, set out in the report, set out the expected key deliverables which should be achieved by April 2016.

The Board was informed that the first of two 'value propositions' had been submitted on the 30th November. The submission had identified the high level key deliverables that would be achieved by 31st March 2016. The second more detailed value proposition would identify the deliverables for 16/17. A series of workshops had been scheduled to progress the logic models which in turn would inform the value proposition. A draft value proposition would be submitted on the 8th of January.

It had been agreed that a Vanguard Programme Board would be established and that all provider organisations would have a nominated representative. The first Board had been convened on the 16th of December 2015. The work stream leads would progress the 15/16 schemes within each work stream. Highlight reports will be presented to the Strategic Network group with regular briefs to all stakeholders.

The Associate Director of Commissioning and Delivery, Hartlepool and Stockton-on-Tees Clinical Commissioning Group, provided assurance that the 'Vanguard' Programme would complement existing pieces of work including the Health and Social Care Plan. The Assistant Director agreed to respond to clarification sought from an Elected Member regarding substitution arrangements on the Programme Board.

Decision

The update was noted by the Board.

50. Integrated Urgent Care Update (December 2015) *(Chief Officer, Hartlepool and Stockton-on-Tees Clinical Commissioning Group)*

Further to minute 9 of the meeting of the Board held on the 22nd June 2015, the report provided the Board with an update on NHS Hartlepool and Stockton-on-Tees Clinical Commissioning Group (CCG) development of an Integrated Urgent Care Service (IUCS) and an outline of next steps. In order to ensure delivery of the timeframe and to enable a service to commence in October 2016, the CCG would be required to commence procurement on 5th January 2016 in order to meet the agreed procurement timetable and offer time for service mobilisation. The Board was reminded that the CCG had been required, following receipt of correspondence from NHS England (NHSE) in June of 2015 (Gateway 03568), to 'pause' any procurement in relation to urgent care services. This was to allow receipt of the publication of the NHSE Commissioning Standards for Integrated Urgent Care.

The Board was advised that whilst awaiting the publication of the commissioning standards, the CCG had identified a number of additional developments that would impact on the original procurement timescales and which posed a risk to the CCG progressing within the timescale to commence procurement on the 5th January 2016. Following receipt of the standards and upon identification of the number of developments outlined in section 3 the CCG Governing Body determined a required extension of timescales for procurement was required. The impact of this decision being that the IUCS would now commence in April 2017, six months later than originally intended.

Outlined in the report were factors that have been considered by the CCG Governing Body in relation to the extension of the procurement timescales in terms of commissioning standards, Vanguard, Hartlepool Plan, Collaboration with other CCGs, Workforce implications, NHS England Dental Review and NHS Planning Guidance. The Board was advised verbally that NHS Planning Guidance 2016/17-2020/2021 – Delivering the Forward View had been received on 22 December and an impact assessment was being undertaken.

During the debate which followed presentation of the report, Board Members highlighted a number of issues which had been discussed at a recent meeting of the Local Health and Social Care Plan Working Group. Clarification was sought whether immediate improvements could be sought in terms of integration of services as part of the extension of the current contract. The Associate Director of Commissioning and Delivery, Hartlepool and Stockton-on-Tees Clinical Commissioning Group, acknowledged that communication concerns had been highlighted at the Working Group meeting and consideration would be given, therefore, to the Communications Plan. The Assistant Director added that following the meeting of the Working Group, a meeting was to be arranged with the North Tees and Hartlepool NHS

Foundation Trust to attempt to improve the working arrangements and communication between the out of hours service and the minor injuries unit and that the Clinical Commissioning Group were working with other organisations to address the issues highlighted at the working group. In response to assurance sought from the Council's Chief Executive that commissioned services would be in accordance with the Local Health and Social Care Plan, it was confirmed that feedback from the Working Group would be included where appropriate in specifications. In terms of the location of urgent care, the Assistant Director responded that availability of premises were being considered although it was highlighted that there were some challenges particularly if premises were not owned by the commissioner and that this would be determined through the procurement process that the CCG was required to undertake. Any views expressed regarding the location of urgent care would be considered but ultimately the final decision would be that of the provider. However the CCG would ensure through the procurements that any premises solutions identified by the Provider were fit for purpose and accessible.

Decision

The report was noted.

Dr Schock in the Chair

51. Healthwatch Hartlepool Asylum Seeker and Refugee Health Consultation Report (*Healthwatch Hartlepool*)

The Board was advised of the outcomes of the recent health focused consultation events undertaken by Healthwatch Hartlepool with the town's asylum seeker and refugee community. The asylum seeker and refugee consultation had been included in the 2015/16 work programme of Healthwatch Hartlepool as a result of some concerns raised with Healthwatch regarding access to and provision of health related services to members of this community. The report set out the findings of the report.

The report concluded that there was a lack of clear information and guidance for members of the asylum seeker and refugee community in Hartlepool around the availability and entitlement to health care. Health structures and provision were considered complex, as were the national regulations which governed this area. It was apparent from the consultation that significant improvement was needed.

Board Members were advised that mental health was a major area of concern. Cultural sensitivities and stigma could be a barrier to both adults and children accessing treatment and pathways in to services could be confusing and unclear. Language difficulties, inconsistency in GP patient experience and lack of awareness of psychological therapies could also be barriers which prevented access to appropriate care. The trauma, upheaval and shock which was part of the lives of refugees and asylum seekers impacted deeply on

family wellbeing and lifestyles. This could have hugely detrimental effects on physical and mental health and personal and family life.

Translation and interpretation services were often key to individuals and families being able to access information around health care, housing, education and a host of other issues. Sensitive and skilled translation and interpretation services were considered to be key but it appeared that on occasions the skills of interpreters were questionable and regional/dialect variations could cause problems.

The Healthwatch report included the following recommendations:-

- There must be a coordinated and concerted effort to ensure that access to culturally sensitive mental health services is improved for those requiring support within the asylum seeker and refugee community in Hartlepool. This must include the development of a more joined-up approach to care and support provision between all provider agencies and more effective communication and sensitivity to the needs of this community.
- HAST CCG, as a matter of urgency should seek to improve information dissemination and communication with asylum seeker and refugee communities in Hartlepool and ensure that individuals and families are aware of health related service and how to access them.
- Attention must be given to improving methods of engagement with asylum seekers and refugees, including translation and interpreting services, by all agencies involved in the provision of health services to which this community are entitled.
- Hartlepool Borough Council and HAST CCG should engage with representatives of the asylum seeker and refugee communities in Hartlepool to find ways of promoting healthier lifestyles (e.g diet and exercise) within and beyond the community.

The Healthwatch Development Officer introduced Desmond Dongo, Chair of Hartlepool Asylum Seeker and Refugee Group and Zoe Sherry, Healthwatch, who had contributed to the report. Support was expressed of the findings of the report.

Board Members debated issues arising from the report including access to psychological services which the representative of Hartlepool voluntary and community sector agreed to refer to voluntary groups. The Director of Public Health undertook to discuss issues with her Team to ensure resources were available in line with services available to other Groups. A suggestion was made by the Associate Director of Commissioning and Delivery, Hartlepool and Stockton-on-Tees Clinical Commissioning Group, that issues are referred to the appropriate multi agency group and that an action plan is produced. The Chair of Children's Services Committee agreed to a suggestion made by an Elected Member that the issue raised, with particular reference to access

to psychological services, be referred to the Council's Children's Services Committee.

Decision

- (i) That Board noted the contents the HealthWatch Hartlepool Asylum Seeker and Refugee Consultation Report, considered the recommendations contained within and agreed that an update report be submitted to a future meeting of the Board.
- (ii) Issues highlighted in the meeting regarding access to psychological services be referred to the Council's Children's Services Committee.

52. Wider Determinants Health/Regeneration Masterplan – Presentation by Director of Regeneration and Neighbourhoods

The Council's Principal Regeneration Officer gave a detailed presentation to the Board outlining the main aspects of the Hartlepool Regeneration Masterplan. The Hartlepool Regeneration Masterplan represented an in-depth piece of work looking in detail at what could be achieved on specific sites within the Marina, Hartlepool Waterfront and wider town centre. Despite the challenges that the town was facing due to the current economic climate there were a number of opportunities and developments which set the context for the preparation of the Masterplan which were highlighted to the Board. The Masterplan identified three main sub-areas to drive the regeneration of the town; the Waterfront/Marina, the Innovation and Skills Quarter at Church Street and the Town Centre. A key cross cutting theme was connectivity and ensuring that these areas were well connected to each other and beyond. All of the projects within the Masterplan were designed to be implemented together as part of a cohesive Regeneration Programme for Hartlepool. The delivery would be an ongoing and sustained process over the next 15 years.

The Masterplan had been developed considering a number of strategic aims which were set out in the report and resulted from a series of public consultations and stakeholder events. It was noted that 407 responses had been received in response to the consultation on the draft Masterplan in addition to feedback from the stakeholder event on the 20th January which attracted approximately 100 businesses. The consultation feedback had helped shape the proposals in the Masterplan along with discussions with investors, developers and funders from both the public and private sectors.

The Principal Regeneration Officer highlighted the key three areas of the Waterfront, Church Street and the Town Centre and outlined the potential developments in each of the three areas which included schemes such as the National Museum of the Royal Navy North, Jacksons Landing, Trincomalee Wharf, Cleveland College of Art and Design, the Innovation and Skills Quarter, and Mars Pension Fund (owners of Middleton Grange shopping centre) investment proposals and the potential of new leisure facilities. The

Principal Regeneration Officer stressed that one of the key issues that faced many of these potential schemes was connectivity between them and the town centre and public transport. The Masterplan looked at the potential changes around the main traffic and pedestrian routes that may be required to link the development areas together to avoid them being isolated from each other and the town centre.

In terms of wider health implications arising from the Masterplan, the Board considered the following issues:-

- Shared ownership and delivery of the Masterplan and Vision- everyone has a role!
- How can the health agenda support the delivery of the Masterplan and Vision? E.g STEM Centre.
- What opportunities are there to become actively involved: resources/future plans?
- What impact will decisions have on the Masterplan area?

Following the presentation, the Principal Regeneration Officer reiterated the opportunities to link regeneration and the wider health implications.

Decision

The presentation was noted.

Meeting concluded at 3.40 p.m.

CHAIR

SAFER HARTLEPOOL PARTNERSHIP MINUTES AND DECISION RECORD

22 January 2016

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

Present:

Superintendent Gordon Lang, Cleveland Police (In the Chair)
Denise Ogden, Director of Regeneration and Neighbourhoods
Clare Clark, Head of Community Safety and Engagement
Louise Wallace, Director of Public Health
Chief Inspector Lynn Beeston, Chair of Youth Offending Board
Steve Johnson, Cleveland Fire and Rescue Authority

In accordance with Council procedure rule 5.2 (ii) Councillor Jim Ainslie was in attendance as substitute for Councillor Christopher Akers-Belcher, Councillor Jim Lindridge as substitute for Councillor James, Neville Cameron as substitute for Barry Coppinger, Rosana Roy as substitute for Julie Allan and Gilly Marshall as substitute for Stewart Tagg

Officers: Rachel Parker, Community Safety and Research Officer
Denise Wimpenny, Principal Democratic Services Officer

Prior to opening the meeting the Chair, Superintendent Gordon Lang, expressed his disappointment in relation to the level of attendance given the importance of the business.

42. Apologies for Absence

Apologies for absence were submitted on behalf of Councillors Christopher Akers-Belcher and James, Hartlepool Borough Council, Gill Alexander, Chief Executive, Hartlepool Borough Council, John Bentley, Safe in Tees Valley, Barry Coppinger, Police and Crime Commissioner, Karen Hawkins, Hartlepool and Stockton on Tees Clinical Commissioning Group, Julie Allan, National Probation Service and Stewart Tagg, Housing Hartlepool.

43. Declarations of Interest

Councillor Ainslie declared a personal interest in Minutes 46 and 47.

44. Minutes of the meeting held on 20 November 2015

Confirmed.

45. Matters Arising from the Minutes

With regard to Minute 37, Taxi Marshalling Scheme, and the decision taken at the last meeting that all funding stream options be pursued, it was reported that the Police and Crime Commissioner had discussed this issue with the Chair. Alternative funding streams were continuing to be explored, feedback from which would be reported to the next meeting of the Partnership.

Decision

That feedback in relation to the availability of funding be reported to the next meeting of the Partnership.

46. Strategic Assessment 2014 *(Director of Regeneration and Neighbourhoods)*

Purpose of report

To consider and agree the annual priorities of the Safer Hartlepool Partnership Strategic Assessment 2015.

Issue(s) for consideration

It was reported that the Partnership had a statutory responsibility to undertake an annual strategic assessment to identify and address the community safety issues that really mattered to the community.

The strategic assessment contained information to aid understanding of the priority community safety issues identified for the communities of Hartlepool including what had changed over the last year, what work the Partnership was doing as well as how the Partnership measured effectiveness and future challenges. An executive summary of the Strategic Assessment was attached to the report which provided a description of the current local and national delivery landscape and a reminder of the objectives and priorities that had been set the previous year. The assessment would assist the Partnership in setting strategic objectives and inform the annual Community Safety Plan for 2016-17.

The Community Safety and Research Officer, who was in attendance at the meeting, provided a detailed and comprehensive presentation which focussed on the following:-

- Strategic Objectives 2014 - 2017
- Annual Priorities 2015-16
- The Delivery Landscape
- Performance figures as a comparator with neighbouring authorities
- Crime figures
- Acquisitive Crime
- Organised Crime
- Violent Crime
- Domestic Violence and Abuse
- Hate Crime and Incidents
- Anti-social behaviour incidents
- Community Perceptions & Neighbourhoods
- Victims
- Substance Misuse
- Re-offending
- Youth Offending
- Proposed SHP Delivery Groups

Proposed Strategic Objectives 2014-17

- Reduce crime and repeat victimisation
- Reduce the harm caused by drug and alcohol misuse
- Create confident, cohesive and safe communities
- Reduce offending and re-offending

Proposed Annual Priorities 2016-17

- Reduce acquisitive crime
- Safeguard individuals and families from domestic violence and abuse
- Substance Misuse
- Reduce anti-social behaviour
- Support vulnerable victims experiencing crime and anti-social behaviour
- Reduce re-offending

Following conclusion of the presentation, a lengthy discussion ensued which included the following issues:-

- (i) Reference was made to the potential reasons for the increase in acquisitive crime, particularly shop lifting and the measures in place to address this. Members were advised that during analysis of re-offending figures shop lifting was the main type of re-offence. In response to a query in relation to the strategy to tackle re-offending, the Chair of the Youth Offending Board advised that prolific offenders were part of the Integrated Offender Management Scheme and there was a need for a number of arrests to be made before a custodial sentence was imposed.
- (ii) In response to concerns raised regarding the increasing levels of

drug dependency in Hartlepool, the Director of Public Health indicated that whilst drug dependency in young people was relatively low, preventative work in this regard was currently taking place which included awareness raising sessions in schools in terms of the dangers around drug and alcohol misuse.

- (iii) Clarification was sought in relation to feedback from vulnerable victims on the benefits of the restorative justice arrangements. The Head of Community Safety and Engagement advised that the Local Restorative Justice Service was in the first stages of implementation, with a Restorative Justice Co-ordinator having recently been appointed. The police were using restorative interventions to address shop lifting related crime and first time offenders. A view was expressed on the need to focus on restorative justice in terms of its significance for victims of crime and vulnerable victims in particular as well as the need to engage with schools on the restorative justice agenda.
- (iv) A Member highlighted the invaluable support provided by the Victim Services Team to vulnerable victims of burglaries and other crime related activities, examples of which were shared with the Partnership. The Chair acknowledged the hard work of the Victim Services and Community Safety Teams in supporting vulnerable victims and requested that a letter of thanks be sent to the teams on behalf of the Partnership.
- (v) Crime prevention was discussed as well as the problems associated with the night time economy. It was suggested that the issue of early morning restriction orders should be revisited given that it was four years since the matter had previously been considered by the Licensing Committee. It was noted that the intention to revisit this issue would be reflected in the Community Safety Plan.
- (vi) With regard to intelligence gathering, the importance and reliance on PCSO's in terms of information provision was emphasised. In response to a request for clarification, the police representative advised that there were no plans to further reduce PCSO resources.
- (vii) Further discussion ensued in relation to crime figures generally and the need to consider how statistical information would be provided in future given the increase in the size of wards. The Head of Community Safety and Engagement referred to a recent piece of work which examined vulnerable localities and work was currently ongoing in those areas where Anti-Social Behaviour Officers were proactively engaging with communities of this type. The need to provide additional support to victims of race related incidents was also highlighted.
- (viii) With regard to re-offending and the support available to individuals prior to release from prison, clarification was provided in relation to

the Through the Gate Service which had been introduced to manage these issues.

- (ix) The potential reasons for the increase in burglary related crime was debated during which the Chair of the Youth Offending Board commented that whilst domestic burglary figures had increased it was envisaged that the figures would reduce during the next reporting period. It was noted that a number of domestic burglaries were carried out on empty properties.
- (x) In relation to the increase in hate crime, it was reported that hate related incidents had increased nationally and the terrorist related activity that had taken place across Europe had contributed to the increase.
- (iv) The issue of hate crime was further discussed including the asylum seeker situation as well as cultural issues. The Chief Superintendent commented on the need to address the national distrust of the police following recent inaccurate media coverage in this regard, details of which were provided. Concerns were expressed that local authorities may not be informed that asylum seekers were being placed in their areas and therefore appropriate levels of support could not be provided.
- (v) Clarification was provided in response to a number of further issues/queries raised in relation to the strategic assessment.

The Partnership took the opportunity to thank the Community Safety and Research Officer as well as all members of the team involved in production of the strategic assessment.

Decision

- (i) That the strategic assessment and proposed annual priorities 2016-17 be agreed.
- (ii) That discussions, as outlined above, be utilised to assist in setting the strategic priorities for the Community Safety Plan 2014-17.
- (iii) That the issue of early morning restriction orders be referred to the Licensing Committee for review.
- (iv) That a letter of thanks, on behalf of the Partnership, be conveyed to the Victim Services and Community Safety Teams for their hard work in supporting vulnerable victims.

47. Community Safety Plan 2014-17 (Year 3) *(Director of Regeneration and Neighbourhoods)*

Purpose of report

To consider the annual refresh (Year 3) of the 2014-17 Safer Hartlepool Partnership Community Safety Plan.

Issue(s) for consideration

It was reported that the Safer Hartlepool Partnership was required to produce an annual refresh of the 2014-17 Community Safety Plan following completion of the annual strategic assessment. A draft version of the revised Community Safety Plan for 2014-17 was attached at Appendix A which had been developed based on the findings of the Strategic Assessment and public consultation.

Members were referred to the four strategic objectives and six annual priorities, details of which were set out in the report. Progress against the Plan would be managed and monitored by the Partnership through quarterly performance reports and review of Task Groups/Sub Group Action Plans. The Partnership's approval to the proposed reporting timetable, as set out in the report was sought and the identification of an appropriate Partnership member to Chair Partnership Task Groups/Sub Groups. In addition to the existing delivery structure, the Partnership's views were sought as to whether a time limited task and finish group to address acquisitive crime, particularly domestic burglary would be beneficial. The Partnership was of the view that given current resource issues, each of the individual task groups should explore how they could contribute to reducing acquisitive crime when developing their action plans.

The Head of Community Safety and Engagement reported that the Plan would be amended to include some of the comments of Partnership Members, as detailed in Minute 46 above, and would be reported to the next meeting of the Finance and Policy Committee.

Reference was made to the discussions in relation to early morning restriction orders and clarification was sought regarding the recommendation of the Partnership, as set out in Minute 46 above. The Head of Community Safety and Engagement advised that the Community Safety Plan would include an action for the Licensing Committee to investigate early morning restriction orders.

Decision

- (i) That the draft Community Safety Plan 2014-17 be approved subject to the inclusion of recommendations of the Partnership, as set out in

Minute 46 above, in relation to early morning restriction orders and restorative justice issues.

- (ii) That the Task Group delivery structure and reporting timetable, as set out in the report, be agreed.
- (iii) That the following Partnership Members Chair the following Groups:-
 - Anti-Social Behaviour – District Manager, Cleveland Fire Authority
 - Substance Misuse – Director of Public Health
 - Domestic Violence – Head of Community Safety and Engagement
 - Communication – Head of Community Safety and Engagement
 - Offending/Re-offending – Head of Offender Services, Durham Tees Valley Community Rehabilitation Company
 - Joint Action Group - Local Area Commander, Cleveland Police
- (iv) That each of the individual Task Groups explore how they can contribute to reducing acquisitive crime when developing their action plans.

48. Any Other Items which the Chairman Considers are Urgent

The Chairman ruled that the following items of business should be considered by the Committee as a matter of urgency in accordance with the provisions of Section 100(B) (4)(b) of the Local Government Act 1972 in order that the matter could be dealt with without delay.

49. Any Other Business – Proposed Closure of Hartlepool Magistrates Court

The Director of Regeneration and Neighbourhoods reported that whilst there had been no acknowledgement to the objections by the Council to the closure of the Magistrates Court, and no formal notice had been received, it was anticipated the closure would go ahead in 2016/17.

Decision

That the information given be noted.

50. Any Other Business – Off-Road Motor Cycles

A Member expressed concerns regarding the ongoing problems associated with off-road motor cycles which had been reported to the Police and Crime Commissioner. The Chief Superintendent outlined the process and importance of reporting such incidents to the Off Road Motor Cycle Team to enable information to be collated with a view to tackling this problem, The

Community Safety and Research Officer added that this had been identified as a ward priority and work was currently ongoing with the Council's Enforcement Team and Neighbourhood Policing with a view to educating individuals of the restrictions. There was a reliance on the public to report such incidents to the Community Safety Team.

Decision

That the information given be noted.

51. Date and Time of Next Meeting

It was reported that the next meeting would be held on Friday 11 March 2016 at 10.00 am.

The meeting concluded at 11.35 am.

CHAIR