

PLEASE NOTE VENUE

AUDIT COMMITTEE AGENDA



Thursday 5th October 2006

at 10.00am

in Conference Room 1, Belle Vue Community, Sports and Youth Centre,
Kendal Road, Hartlepool

MEMBERS: AUDIT COMMITTEE:

Councillors: Hall, Preece, Turner, Wallace and Wistow

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 6th July 2006 (*attached*)
4. **ITEMS FOR DISCUSSION/DECISION**
 - 4.1 District Auditor's 2005/06 Annual Governance Report – *Chief Financial Officer*
 - 4.2 Internal Audit Plan 2006/07 Update – *Head of Audit and Governance*
 - 4.3 Review of Financial Procedure Rules – *Chief Financial Officer*
 - 4.4 Statement of Internal Control Update 2006/07 – *Chief Financial Officer*
5. **ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT**

AUDIT COMMITTEE

MINUTES AND DECISION RECORD

6th July 2006

Present:

Councillors Gerard Hall (in the Chair)

Councillor Arthur Preece

Also Present In accordance with Paragraph 4.2 (ii) of the Council's Procedure Rules, Councillor Sheila Griffin as substitute for Councillor Gerald Wistow

Officers: Noel Adamson, Head of Audit and Governance
Jo Wilson, Democratic Services Officer

1. Apologies for Absence

Apologies were received from Councillors Steve Wallace and Gerald Wistow

2. Declarations of interest by members

None

3. To confirm the minutes of the meeting held on 22nd May 2006

Confirmed

4. Presentation regarding Internal Audit and the Function and Role of an Audit Committee *(Head of Audit and Governance)*

The Head of Audit and Governance reported on the function and role of Internal Audit. Internal Audit was a statutory, professional and corporate requirement that provided an independent and objective opinion on the Council's internal control environment. Audit Officers tested various policies and procedures and ensured corrective action was taken where weaknesses were found.

Mr Adamson went on to explain the function and role of an Audit Committee. A copy of the Audit Annual Plan for 2006/07 was circulated to members for information. Members then raised the following issues.

- Independence – was there a potential conflict of interest in dealings with other Council staff? The Head of Audit and Governance advised that independence was key to the success of internal audit. Without it reports were meaningless. Audit Officers had access to all Council employees from the Chief Executive onwards and were therefore in a position to provide the Section 151 officer with fully independent and thorough reports.
- Statement on Internal Control – how had this moved on from the previous Statement of Financial Control? The Head of Audit and Governance explained that the Statement on Internal Control (SIC) had a wider remit and would look at issues such as partnerships and governance, and had led to new areas of audit coverage such as recruitment and retention. Members acknowledged the dangers inherent in public money being given to outside agencies and how checks were made on this. The Head of Audit and Governance stated that the success of effective partnership working was key to the Council meeting its objectives. This was an area highlighted at previous Audit Committees and had been included in the SIC as a significant internal control issue. As such Internal Audit time was allocated to the audit of the control arrangements the Council had in place with its various partner organisations.
- Schools auditing – how would this change if schools were given foundation or trust status? The Head of Audit and Governance was of the opinion that if schools were given independence from the Local Education Authority there would still be a need for schools to have some form of internal audit in place, although how this would be provided was not known. A member noted that the Annual Audit Plan for 2006/07 showed that English Martyrs had been allocated the same amount of time for audit as maintained schools in the town.

Decision

That the content of the report and presentation be noted

5. Internal Audit Plan 2006/07 Update *(Head of Audit and Governance)*

In order to ensure that the Audit Committee met its remit, it was important that it be kept up to date with the ongoing progress of the Internal Audit section in completing its plan. Regular updates allowed the members of the Committee to form an opinion on the controls in operation within the Council.

Appendix A of the report detailed the pieces of work that have been

completed. Appendix B detailed the audits that were ongoing at the time of compiling the report. The Head of Audit and Governance advised that since the publication of the report the audit objectives for Manor College, Rift House Primary and Elwick Primary had been completed.

The work completed and currently ongoing was in line with expectations at this time of year and audit coverage to date. Members then raised the following issues:

- VAT systems audit – how did this work within the authority? The Head of Audit and Governance explained the processes whereby the procedures for compiling VAT returns were checked within the Council. Details were given of the checks on coding, claims and records. Mr Adamson was questioned with regard to the pay or claim situation with regard to VAT at the Council and agreed to bring this information to a future meeting.
- Staffing levels in the Audit Department – were they adequate? The Head of Audit and Governance advised there were 8 permanent staff, all of whom were excellent in terms of qualifications and experience. This number was adequate for day-to-day work but there were contingency arrangements in place should the need arise.

Decision

That the contents of the report be noted

J A BROWN

CHIEF SOLICITOR

Report of: Chief Financial Officer

Subject: DISTRICT AUDITOR'S 2005/2006 ANNUAL
GOVERNANCE REPORT

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the 2005/2006 District Auditor's Annual Governance Report.

2. BACKGROUND

- 2.1 In accordance with the Audit Commission's Statutory Code of Audit Practice for Local Government bodies the District Auditor is required to report the conclusion of their audit work in an Annual Governance Report. The principle purposes of the Annual Governance Report are:-

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the Auditor and those charged with Governance;
- to share information to assist both the Auditor and those charged with Governance to fulfil their respective responsibilities;
- to highlight opportunities for improvement to the Authority's Financial Statement/processes

- 2.2 The District Auditor issued the Annual Governance Report on 15th September, 2006 and this report is now being submitted to your Committee for consideration. The Annual Governance Report is also being submitted to the General Purposes Committee on 29th September, 2006, to enable this Committee to consider the District Auditor's findings before they approve the final 2005/2006 Statement of Accounts before 30th September statutory deadline. I will update Members verbally on the decisions made by the General Purposes Committee on 29th September, 2006. A copy of my report to the General Purposes Committee on 29th September, 2006, is attached at Appendix A.

- 2.3 This report will also be submitted to a future meeting of the Scrutiny Co-ordinating Committee.

3. 2005/2006 ANNUAL GOVERNANCE REPORT

- 3.1 The District Auditor's 2005/2006 Annual Governance Report is attached at Appendix B. A representative of the District Auditor will attend your meeting to present the report and respond to Members questions.
- 3.2 The key issues raised in the District Auditor's report are set out below :

- **Page 8, Paragraph 15 – Uncorrected Misstatements**

In accordance with the requirements of Financial Reporting Standard (FRS) 12 the District Auditor has recommended that the provision for equal pay liabilities should be reduced as it exceeds the liability which should be recognised in the 2005/2006 Statement of Accounts. This recommendation reflects the detailed requirement of FRS 12, which only permits provisions to be made for liabilities for which there is a clear legal obligation to make future payments.

In theory, there is no legal liability at 31st March, 2006, in respect of equal pay settlement due to be paid in 2007/2008 as individual employees could withdraw their agreement to the multi-year COT 3 agreement they have previously signed.

In practise, it is extremely unlikely that this will occur and on this basis Council at its meeting on 16th February, 2006, approved the establishment of this provision as part of the 2006/2007 Budget and Policy Framework.

Therefore, whilst recognising the District Auditor's comments, I have recommended that on this occasion we should not change the value of the provision as the estimated liabilities payable in 2007/2008 are anticipated to exceed the available provision by £0.5m. As previously reported this shortfall will need to be addressed as part of the 2006/2007 outturn strategy to ensure resources are available to meet the final payments to individual employees in 2007/2008.

- **Page 9, Table 2 – Adjusted Misstatements**

The District Auditor identified a number of misstatements in the draft Statement of Accounts as detailed in Table 2 of their report in relation to the Cash Flow Statement and the Balance Sheet. These adjustments have been agreed and amended in the Final Statement of Accounts which will be submitted to the General Purposes Committee on 2nd September, 2006, for approval.

- **Page 13, Paragraph 24 – Value for Money Conclusion**

The District Auditor is required to review the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion). The District Auditor has substantially completed their work in relation to the use of resources and there are no matters which they wish to draw attention to.

- **Page 15, Paragraph 2` - Use of Auditor's Statutory Powers**

Auditors are required to consider the exercise of certain statutory powers during the course of the Audit. The District Auditor's report advises Members that these powers have not had to be used in relation to the 2005/2006 Audit.

4. RECOMMENDATIONS

- 4.1 It is recommended that Members note the report.

Meeting of: General Purposes Committee

Date of Meeting: 29th September, 2006

Report of: Chief Financial Officer

Subject: FINAL 2005/2006 STATEMENT OF ACCOUNTS
AND AUDIT COMMISSION ANNUAL
GOVERNANCE REPORT

1. PURPOSE OF REPORT

1.1 The purposes of this report are to: -

- i) enable Members to approve the final 2005/2006 Statement of Accounts;
and
- ii) to present the Audit Commission's Annual Governance Report.

2. BACKGROUND

2.1 At your meeting on 30th July, 2006 Members approved the draft 2005/2006 Statement of Accounts. At that time Members were advised that a further report would be submitted once the Audit Commission completed their review of the draft 2005/2006 Statement of Accounts and related matters.

3. FINAL 2005/2006 STATEMENT OF ACCOUNTS

3.1 The Audit Commission has now completed the Audit of the 2005/2006 Statement of Accounts and their recommendations are detailed in the Annual Governance Report, Appendix A.

3.2 During the audit it was agreed to amend the Cashflow Statement (page 61 of Appendix B) and the Balance Sheet (page 40 of Appendix B). The changes to the Cashflow Statement correct the disclosure of cashflows arising from investments and borrowings. The change to the Balance Sheet corrects the classification of an item of capital expenditure which increases the value on 'assets under construction'. The corresponding entry is within the Fixed Asset Restatement Account. These changes do not affect the Authority's overall cash position.

3.3 In addition, the report highlighted that the Provision for Equal Pay costs exceeds the liability which should be recognised in the 2005/06 accounts in accordance with the requirements of Financial Reporting Standard 12. I have

determined not to change this provision as the estimated Equal Pay liabilities payable in 2006/07 and 2007/08 are anticipated to exceed this provision. The Authority will therefore need to earmark additional funding for these liabilities in 2006/07 and this issue will be dealt with as part of the 2006/07 outturn strategy.

4. ANNUAL GOVERNANCE REPORT

4.1 The Annual Governance Report replaces the Statement of Auditing Standards (SAS 610) report and owing to the changes in the Audit Commission's timetable for issuing the Annual Audit Letter the Annual Governance Report covers a wide range of issues than the SAS 610 report. The principle purposes of the Annual Governance Report are:

- to reach a mutual understanding of the scope of the audit and the respective responsibilities of the Auditor and those charged with governance;
- to share information to assist both the Auditor and those charged with Governance to fulfil their respective responsibilities; and
- to highlight opportunities for improvements to the Authority's financial statement/processes.

4.2 A copy of the Annual Governance Report is attached at Appendix A. The Auditor will be present at your meeting to highlight the key issues identified in the report and to answer any questions.

5. RECOMMENDATIONS

5.1 It is recommended that Members: -

- i) Note the report.
- ii) Approve the Final 2005/2006 Statement of Accounts detailed at Appendix B, which incorporates the changes detailed at paragraph 3.2.



Annual governance report

Hartlepool Borough Council

Audit 2005/06

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Authority

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Authority's General Purposes Committee is considered to fulfil the role of those charged with governance and references to the General Purposes Committee should be read as such.
- 2 We are also required by professional auditing standards to report to the General Purposes Committee certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
 - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the General Purposes Committee;
 - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
 - to provide the General Purposes Committee with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
 - the Authority's financial statements; and
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the Relationship Manager Letter later in the year.

- 8 We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

Key messages

Financial statements

- 9 Our work on the financial statements is now substantially complete. We anticipate being able to issue an unqualified opinion by 30 September 2006 (a draft report is attached at Appendix 5).

Use of resources

- 10 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now substantially complete. We anticipate being able to issue a qualified/unqualified conclusion on the use of resources by 30 September 2006 (a draft report is attached at Appendix 5).

Financial statements

- 11 We are required to give an opinion on whether the Authority's financial statements present fairly the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended

Status of the audit

- 12 Our work on the financial statements is now substantially complete.

Matters to be reported to the General Purposes Committee

- 13 We have the following matters to draw to the General Purposes Committee's attention.

Expected modifications to the auditor's report

- 14 On the basis of our audit work, subject to the satisfactory conclusion of any work outstanding reported above, we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 5.

Uncorrected misstatements

- 15 Our audit identified the following misstatements in the financial statements that management has decided not to adjust. Excluding those misstatements that are 'clearly trivial' (as defined in professional auditing standards), these are set out in Table 1 below.

Table 1 **Uncorrected misstatements**

Misstatements that management have decided not to adjust

Issues	Value of misstatement £	Impact on surplus/(deficit) £
Provision for equal pay includes amounts due for 2006/07	500,000	Increase reported surplus

Recommendations

R1 Amend the draft financial statements for the uncorrected misstatement identified in Table 1.

Adjusted misstatements

To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. Details of material and/or significant adjustments made to the financial statements are shown in Table 2.

Table 2 Adjusted misstatements in the financial statements

Details of material and/or significant adjustments made to the financial statements

Issue	Value of misstatement £'000	Impact on surplus/(deficit)
<i>Cash flow statement</i>		
Financing (expenditure)	26,324	Nil
Financing (income)	37,714	Nil
Net financing	(11,390)	Nil
Increase/decrease in cash and cash equivalents	11,386	Nil
<i>Balance sheet</i>		
Assets under construction	589	Nil
Fixed asset restatement account	(589)	Nil

- 16 There were a range of other amendments to the accounts, a list of which has been provided to officers. The number of minor errors has significantly reduced from the previous year. Additional checking procedures may have identified many of these misstatements and presentational errors before the draft accounts were approved by members.

Recommendations

R2 Improve year end and qualitative processes for producing the financial statements to ensure the accounts presented for approval are free from minor misstatements and presentational errors.

Qualitative aspects of accounting practices and financial reporting

- 17 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We wish to report the following matters to you.
- The Authority changed the format of its Statement of Total Movements in Reserves. The format is not fully compliant with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 (the SORP). A revised SORP has been issued for 2006-07 which may require changes to the Statement of Total Movements in Reserves and other statements.
 - The Authority's actuary, instead of treating the effect of the commutation of benefits as a negative past service cost, treated it as a change in actuarial assumptions after the benefits have changed. Consequently, the saving arising from commutation has been included within the Statement of Total Movements in Reserves rather than Non-Distributed Costs within the Consolidated Revenue Account. This does not impact on the overall value of the FRS17 liabilities at 31 March 2006, nor does it impact on the bottom line of the Consolidated Revenue Account. However, it does not follow LAAP guidance.

Recommendations

- R3 Ensure that the SORP and other relevant guidance is followed when preparing the 2006-07 financial statements*
- R4 Discuss any proposed changes in the format of financial statements with the external audit, before the statements are prepared for approval by members.*

Material weaknesses in internal control identified during the audit

- 18 Our audit did not identify any weaknesses in systems of accounting and financial control which we should report to you.
- 19 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

Matters specifically required by other auditing standards

20 Other auditing standards require us to communicate with you in other specific circumstances including:

- where we suspect or detect fraud;
- where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
- non-compliance with legislative or regulatory requirements and related authorities.

There are no matters we wish to report you

Any other matters of governance interest

21 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 3 below.

Table 3 Other matters of governance interest

There are a number of other matters that we would like to bring to the attention of those charged with governance

Area	Auditor responsibility	Impact
Statement of internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	Our review found the SIC to be consistent with other information from our audit and the process for compiling the SIC has improved
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements.	We will issue our report in October

Letter of representation

22 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6.

Next steps

- 23 We are drawing these matters to the General Purposes Committee's attention so that:
- you can consider them before the financial statements are approved and certified;
 - the representation letter can be signed on behalf of the Authority and those charged with governance before we issue our opinion on the financial statements; and
 - the Committee has the opportunity to amend the financial statements for the unadjusted misstatements/significant qualitative aspects of financial reporting issues identified above. Should you choose not to amend the financial statements, in accordance with the ISA (UK and Ireland) 260, we request that you extend the representation letter to explain why you are not adjusting the financial statements. We ask that the letter specifically details the misstatements and/or qualitative aspects of reporting to which it relates, either in the body of the letter or in a document appended to it.

Use of resources

Value for money conclusion

- 24 The Code requires us to issue reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). In meeting this responsibility, we will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money.
- 25 We have substantially completed our work in relation to the use of resources and there are no matters which we wish to draw to the attention of the General Purposes Committee.
- 26 The key findings from our work on the use of resources criteria are summarised below.

Data quality

- 27 The Authority has practical arrangements in place review the quality of the data it uses for performance management and external reporting although there is no formal policy on data quality outlining the Authority's approach. We will be issuing a separate report on data quality when we have completed our work on performance indicators.

Internal control

- 28 The Authority does not have formal partnership arrangements in place for all of its partnership arrangements, to ensure that adequate controls are in place and operating. This has been recognised and is disclosed in the SIC as an area for action.

Budget setting and monitoring

- 29 The Authority has arrangements in place for setting and monitoring budgets. We are currently discussing with management suggestions for further improvements in those arrangements, such as ensuring that comprehensive procedure and guidance notes are available.

- 30 The Authority made a small surplus of £19,000 in 2005/06 and this has increased General Fund Balances to £19.153m at the 31st March 2006 (£19.134m at 31st March 2005). The General Fund Balance includes the Authority's Unearmarked General Fund Balances of £5m which is available to meet any general expenditure commitments not budgeted for in year. A considerable proportion of earmarked funds (£7.2m) is earmarked to support the Authority's budget over the next three years, a further £3.9m relates to potential expenditure arising from strategic or service changes and a further £2m relates to departmental carry forward of under spends. The Authority's medium term financial plan currently reflects the available resources. We are discussing this with management to ensure that the need for this level of balances is kept under review, budgeted expenditure on service developments is not slipping and that there are robust medium and longer term financial plans taking account of the availability of such resources.

Use of auditors' statutory powers

31 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 4 below.

Table 4 Use of statutory powers

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/2006.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no s11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2005/2006 Best Value Performance Plan (BVPP) was reported in the 2005 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

Closing remarks

- 32 This report has been discussed and agreed with the Assistant Chief Financial Officer. A copy of the memorandum will be presented at the General Purposes Committee on 29 September 2006.
- 33 The report makes a number of recommendations. An action plan is included at Appendix 7, which includes responses from management and indicative target dates for the implementation of recommendations.
- 34 The Authority has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

Steve Nicklin
District Auditor

September 2006

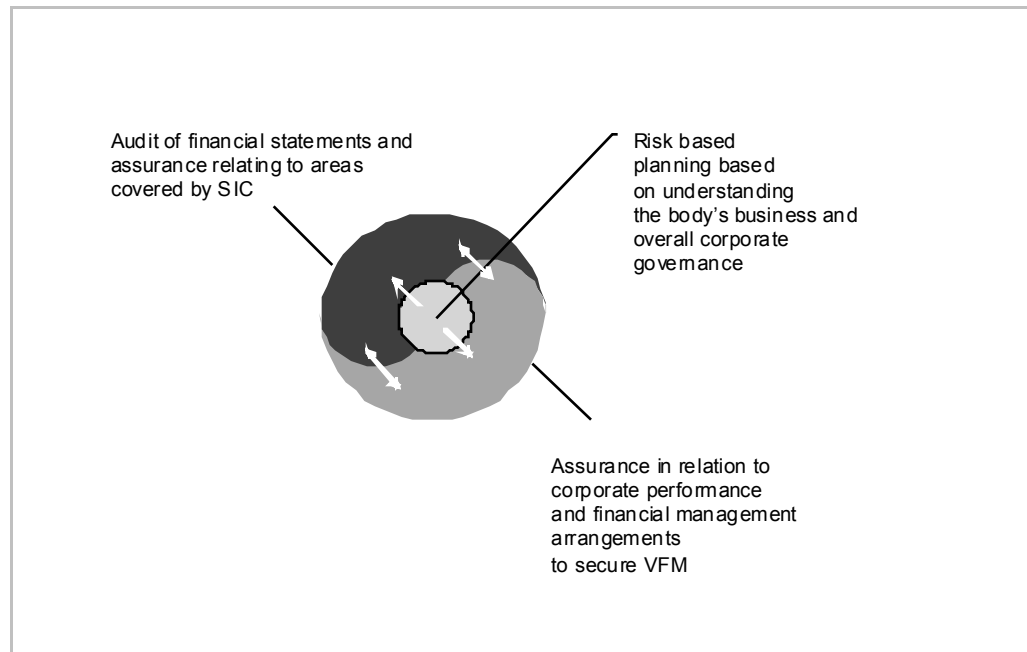
Appendix 1 – Audit responsibilities and approach

Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Approach to the audit of the financial statements

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
 - the standard of the overall control environment and internal controls;
 - reliance on internal audit;
 - the likelihood of material misstatement occurring from of material information systems; or a material error failing to be detected by internal controls;
 - any changes in financial reporting requirements; and
 - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements. The keys risks that we identified include:
 - Reserves, balances and provisions (including Equal Pay)
 - Treasury management
- 4 In addition, as the Authority prepares group financial statements, we have also considered whether it is necessary to communicate to you such matters brought to the attention of those charged with governance of each body within the group by its auditors. Only those matters which we judge to be of significance in the context of the group are brought to your attention.

Approach to audit of arrangements to secure value for money

- 5 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
 - corporate performance management; and
 - financial management arrangements.
- 6 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 7 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 8 The potential sources of assurance when reaching the value for money conclusion include:
 - the Authority's whole system of internal control as reported in its statement on internal control;
 - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc.;
 - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
 - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
 - other work necessary to discharge our responsibilities.

Appendix 2 – Audit reports issued

Table 5

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit and inspection plan	March 2005	March 2005	General Purposes Committee
Annual governance report	September 2006	September 2006	General Purposes Committee
Opinion on financial statements	September 2006	September 2006	The Authority
Value for money conclusion	September 2006	September 2006	The Authority
Final accounts memorandum	September 2006	September 2006	Management
Use of resources assessments	September 2006	September 2006	Management
BVPP report	October 2005	September 2005	The Authority
Data quality report		October 2006	

Appendix 3 – Fee information

Table 6

Fee estimate	Plan 2005/06	Actual 2005/06
Audit		
Accounts	122,471	132,543
Use of resources	68,239	68,239
Total audit fees **	190,710	200,782
Voluntary improvement work*	0	0

** The outturn on inspection and grant certification fees will be reported in the Relationship Manager Letter

Appendix 4 – The Audit Commission's requirements in respect of independence and objectivity

- 1 We are required by the standard to communicate following matters to the General Purposes Committee:
 - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

Appendix 5 – Independent auditor's report to Hartlepool Borough Council

Opinion on the Financial Statements

We have audited the financial statements of Hartlepool Borough Council and its Group for the year ended 31st March, 2006, under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Hartlepool Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

We review whether the statement on internal control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2nd April, 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its Group as at 31st March, 2006 and its income and expenditure for the year then ended.

Signature: _____ Date: _____

Mr S Nicklin
District Auditor
Audit Commission
Nickalls House
Metro Centre
Gateshead
NE11 9NH

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by Section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

certifying that we have done so;
stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in Section 6 of the Local Government Act 1999 and statutory guidance; and
where relevant, making any recommendations under Section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July, 2005, in all significant respects, Hartlepool Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2005/2006 in September, 2005. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: _____ Date: _____

Mr S Nicklin
District Auditor
Audit Commission
Nickalls House
Metro Centre
Gateshead
NE11 9NH

Appendix 6 – Letter of representation

(NB to be on HBC letterhead)

Mr S Nicklin
District Auditor
Audit Commission
Nickalls House
Metro Centre
Gateshead
NE11 9NH

Hartlepool Borough Council - Audit for the year ended 31 March 2006

We confirm to the best of our knowledge and belief, having made appropriate enquiries of other officers of Hartlepool Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2006.

We acknowledge our responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

We confirm the reasonableness of assumptions relating to fair value measurements and that the Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

We consider that adequate provisions have been made for all known liabilities at the balance sheet date.

Uncorrected misstatements

We acknowledge the District Auditor's comments, in paragraph 15 of his annual governance report, that the provision for equal pay costs exceeds the liability which should be recognised in the 2005/06 accounts in accordance with the requirements of Financial Reporting Standard 12. We have determined not to change this provision as the anticipated equal pay liabilities payable in 2006/07 and 2007/08 are anticipated to exceed this provision. The Authority will

therefore need to earmark additional funding for these liabilities in 2006/07 and this issues will be dealt with as part of the 2006/07 closure strategy.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Members meetings, have been made available to you.

Group entities

We confirm that the representations within this letter also apply to the group accounts and that the Council has identified and consolidated all its material interests in companies within the group accounts.

Related party transactions

We confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and,
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties.

Law, regulations and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

Irregularities

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud and error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices which could have a material effect on the financial statements.

We have assessed the risk of material misstatement of the statement of accounts due to fraud and consider this risk to be low.

Post balance sheet events

Since the date of approval of the financial statements by Members of the General Purposes Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Hartlepool Borough Council

Signed

Name

Position

Date

Signed

Name

Position: *Chief Financial Officer*

Date

Signed

Name

Position: *Chair of General Purposes Committee*

Date

Signed

Name

Position

Date

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Appendix 7 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R1 Amend the draft financial statements for the uncorrected misstatement identified in Table 1	3	General Purposes Committee		We acknowledge the District Auditor's comments, in paragraph 15 of his annual governance report, that the provision for equal pay costs exceeds the liability which should be recognised in the 2005/06 accounts in accordance with the requirements of Financial Reporting Standard 12. We have determined not to change this provision as the anticipated equal pay liabilities payable in 2006/07 and 2007/08 are anticipated to exceed this provision. The Authority will therefore need to earmark additional funding for these liabilities in 2006/07 and this issues will be dealt with as part of the 2006/07 closure strategy.	29 September 2006
	R2 Improve year end and qualitative processes for producing the financial statements	2	Assistant Chief Financial Officer	Yes	Improvements were made when preparing 2005/06 financial statements, despite time and resource constraints, the latter arising from implementation of new financial management system.	June 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	to ensure the accounts presented for approval are free from minor misstatements and presentational errors				Officers are committed to achieving further improvements	
	R3 Ensure that the SORP and other relevant guidance is followed when preparing the 2006-07 financial statements	3	Chief Accountant	Yes	Officers are aware that there will be a new SORP for 2006/07 and this may introduce significant changes to financial statements	June 2007
	R4 Discuss any proposed changes in the format of financial statements with the external audit, before the statements are prepared for approval by members	2	Chief Accountant	Yes		January-June 2007

Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2006/07 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2006/07.

2. BACKGROUND

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

3. AUDITS COMPLETED AND IN PROGRESS

- 3.1 Appendix A of the report details the pieces of work that have been completed.
- 3.2 As well as completing the aforementioned audits, Internal Audit staff have been involved with the following working groups:
- ISO 17799 Group.
 - Procurement Working Group.
 - Risk Management Group
 - Statement on Internal Control

In order to meet Audit Commission recommendations regarding the use of I.T when carrying out audits as well as undertaking more detailed testing of I.T controls, IDEA software has been purchased and has been installed onto the system.

- 3.3 Appendix B details the audits that were ongoing at the time of compiling the report.

4 AUDIT PLAN PROGRESS

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

5 RECOMMENDATION

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

Appendix A

Audit	Objectives	Recommendations	Agreed
BVPI 56	Systems are in place to provide information that is sound and that the final information used is accurate, complete and reliable	None	
Housing Aid and Asylum Seekers	The Authority has appropriate policies to enable adequate support for homeless people, including asylum seekers in the community. The Authority's policies are in accordance with statutory requirements and the service provided complies with both of these. There are accurate and complete records maintained for all the activities undertaken by the Housing Aid and Asylum Seekers Team. Income and expenditure items are administered in accordance with the Authority's Financial and Contract Procedure Rules, and adequate records are maintained. Information is held securely and in accordance with all relevant legislation and guidance, e.g. Data Protection Act/Human Rights Act.	<ul style="list-style-type: none"> - Procedures within the department are updated and a more understandable guide is produced. - The stocks held by the department are relocated to the Housing Advice Team Offices so that they are more easily accessible and traceable. All stocks are stored securely with limited access to staff members. - All established members of staff receive a CRB and List 99 check to adequately cover the authority against any potential issues that may arise. 	Y Y Y
BVPI 79b	Systems are in place to provide information that is sound and that the final information used is accurate	None	
HSA performance Indicator	Systems are in place to provide information that is sound and that the final information used is accurate	None	
St Hilda's	Ensure school financial and governance arrangements are in line with best practice	<ul style="list-style-type: none"> - The school should consider registering the school private fund as a charity with the Charity Commissioner. - All Governors should have a Business Interests Declaration Form on file. 	Y Y
Holy Trinity Primary	Ensure school financial and governance arrangements are in line with best practice	<ul style="list-style-type: none"> - Employees complete data protection forms of undertaking covering both internet and E-mail policy. - The school should consider registering the school private fund as a charity with the Charity Commissioner. - All Governors should have a Business Interests Declaration Form on file. 	Y Y Y
Bichard Report	To examine the Bichard Report and identify any issues that may have an impact on the Authority.	None	

Mill House Leisure Centre	Adequate procedures are in place within the cashiers system to ensure that all income received is processed promptly, recorded in a satisfactory manner and reconciled to system output; income is banked promptly into the Authority's bank account.	- Officers should sign the vending book after each collection as evidence that two people emptied the machines.	Y
		- The calculation of income received in respect of vending income collected at Eldon Grove should be checked for accuracy by a second person and reconciled to income banked. The vending sheets should be signed as evidence of this check.	Y
		- Records of vending income collected at Eldon Grove should be retained in a secure manner.	Y
		- Delivery notes should be retained as evidence that goods have been received.	Y
Fens Primary	Ensure school financial and governance arrangements are in line with best practice	- That a daily income record is maintained.	Y
		- That official orders are raised at the time the goods/services are requested. This will ensure that budgetary control information in relation to commitments is accurate.	Y
		- Governors declare interests at meetings and these are recorded.	Y
Rift House Primary	Ensure school financial and governance arrangements are in line with best practice	- Implement HCSS 3 year budget forecasting programme.	Y
		- The school should seek assistance from Northgate if necessary to delete or deactivate the previous Head teacher's access rights on SIMS.	Y
		- All employees should complete a Data Protection Form of Undertaking.	Y
		- 2 missing FM5 forms should be obtained.	Y
		- Neighbourhood Services invoices for school meals should be checked to school meal records prior to payment to ensure that the invoice is accurate.	Y
		- SIMS Contract Information should be updated with correct salary information.	Y
		- Breakfast Club and After School Club records to be improved as discussed, to clearly record amounts paid and the amounts c/fwd.	Y
		- The inventory should include adequate detail about each item, i.e. make, model, serial number.	Y
		- All Governors should have a Business Interests Declaration Form on file.	Y

Book Fund	Determine the responsible officers for the book fund. All materials are ordered, received, stored and allocated in accordance with financial procedure rules. Adequate records are maintained of orders, transfers and missing items. A sufficient level of budget monitoring occurs within the department. Ensure adequate security procedures are in place and are operating effectively within the process.	- A review of the access levels of all staff is undertaken which takes into account job roles and justification for access is determined. The number of people with full access to the system should be reduced to the minimum amount possible.	Y
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Appendix B

Audit	Objectives
Car Parks Income	To determine whether regular reviews of the charges are completed ensuring the Authority does not suffer loss of revenue. Where revenue is being generated through non-staff car parks that adequate procedures, policies and security measures have been implemented to protect the Authority from any potential misappropriation, vandalism or fraudulent activity. Costs of the administration, collection and recovery of funds are taken into account before beginning the recovery process for parking fines. Adequate and regular review of income is carried out to monitor budget and reveal possible fraudulent activity. Relevant and up to date procedures exist for the maintenance of the Authority's Staff Parking Scheme.
BVPI 220	Systems are in place to provide information that is sound and that the final information used is accurate
Employees Register of Interest	Ensure all relevant guidance is followed and good governance arrangements are in place.
St Josephs Primary	Ensure school financial and governance arrangements are in line with best practice
Members Allowances	Ensure that Members are paid the correct level of allowance and reimbursed for any approved expenditure, payments made are in accordance with Council Policy and Procedure Rules, all payments made are adequately recorded and monitored, the scheme is administered effectively and efficiently and all payments have been adequately supported and payments are in line with current rates.
Education Development Centre	Ensure that data is securely held and procedure/guidance notes are held. That room lettings are effectively and efficiently managed. Ensure that goods and services are ordered and invoices processed in line with Financial Procedure Rules.
Community Grants	Grants are awarded in accordance with current legislation and Council Policies. Adequate records are maintained in support of grants claimed and paid.
Building and Development Control Income	The Authority provides a building and development control service in line with statutory obligations, the Authority's policies & procedures comply with relevant legislation/guidance, complete, accurate and reliable evidence is retained and processed in support of planning and building applications, income received is correctly recorded and paid into the Authority's bank account in a timely manner and cash and documents with a financial/confidential value are held securely and in compliance with any relevant legislation e.g. Data Protection.
Children's Act	Ensure policies & procedures comply with relevant legislation/guidance.
Brierton Secondary	Ensure school financial and governance arrangements are in line with best practice
Dyke House	Ensure school financial and governance arrangements are in line with best practice.
Abandoned Vehicles	That procedures in place for administering the abandoned vehicles function are operating effectively and efficiently, statutory guidelines and Contract and Financial Procedure Rules are adhered to and data and cash are securely held.
Elwick Primary School	Ensure school financial and governance arrangements are in line with best practice
Manor College	Ensure school financial and governance arrangements are in line with best practice

Report of: Chief Financial Officer

Subject: REVIEW OF FINANCIAL PROCEDURE RULES

1. PURPOSE OF REPORT

- 1.1 To inform the Audit Committee of the necessity to review the Council's current Financial Procedure Rules (FPRs) as set out in the Constitution. The report sets out a proposed strategy to implement a phased approach to the review of FPRs in order to meet the requirements identified when completing the Statement on Internal Control (SIC) for 2005/06.

2. BACKGROUND

- 2.1 The Council needs to have suitably robust financial arrangements in place both corporately and at a department level to demonstrate appropriate control procedures exist to manage services and risks, with the FPRs providing this framework.
- 2.2 As part of the evidence gathering process for the 2005/06 SIC, it was felt that in order to maintain the highest levels of financial probity and best practice the current FPRs would need to be updated. There are also new initiatives and challenges that face the Council, such as partnership working and the arrangements for dealing with grant income, that now need to be included.

3 TIMETABLE FOR REVIEW

- 3.1 In order to complete the review it is proposed to breakdown FPRs into three discrete areas,
- Existing FPRs internal to Central Finance which will be reviewed accordingly,
 - Capital Planning, which will need co-ordinating between Central Finance and Procurement and Property Services,
 - Financial Administration, which will include virements, grants and partnership arrangements, to be considered by CMT.
- 3.2 Given the necessity to ensure demonstrable continuous improvement in line with CPA requirements and internal control improvements as detailed in the SIC, it is planned that the review will take no longer than

six months to complete. The need to undertake the review and the process to be followed as previously agreed by CMT.

4. RECOMMENDATIONS

- 4.1 Members views are sought on the proposed timetable and review .

Report of: Chief Financial Officer

Subject: STATEMENT ON INTERNAL CONTROL
UPDATE 2006/07

1. PURPOSE OF REPORT

- 1.1 To inform Members of the proposed process to complete the Statement on Internal Control (SIC) for 2006/07.

2. BACKGROUND

- 2.1 Regulation 4 of the Accounts and Audit Regs 2003 state “The relevant body shall **review** at least once a year the **effectiveness of its system of internal control** and shall include a **Statement on Internal Control**, prepared in accordance with proper practices” in its financial statements.
- 2.2 In order to comply with the Act, the Audit Committee reviewed the SIC at its meeting of the 22.05.06. A thorough review took place at that meeting, and the SIC was agreed and was reported to the General Purposes Committee as part of the Council's Financial Statements.

3 2006/07 SIC

- 3.1 In order to build on the experience of compiling the 2005/06 SIC, officers have met to consider how lessons can be learnt and the whole process taken forward.
- 3.2 The process of Departments recording and evidencing the controls they have in place to mitigate risks was carried out as a separate exercise in 2005/06. The sum of this information was then used to compile the SIC.
- 3.3 In order to ensure that the correct information is provided at the right time and in the right format, it has been decided to try to integrate the process of mapping service objectives to risks and identifying the controls in operation. This would link together as one exercise, business planning, risk and control identification, thus minimising the administrative burden placed on Departments.
- 3.4 A major exercise to map objectives and risks was undertaken in the Children's Services Department and this will be examined and used as a template for the process to be followed.

- 3.5 A report of the detailed timetable to be followed will be submitted to Corporate Management Team in November in order to explain the process. In order to raise awareness corporately guidance and support on the process will also be offered to Departmental Management Teams. As the Audit Committee has a pivotal role to play in reviewing the SIC when complete, any guidance and support needed to enhance this role will also be provided at future meetings of the Committee.
- 3.6 The purpose of this review is to build upon the processes put in place in 2005/06 and ensure that the completion of the SIC continues to be a meaningful exercise that ensures good governance arrangements are in operation across the authority.

4. RECOMMENDATIONS

- 4.1 Members views are sought on the proposed process.