

AUDIT AND GOVERNANCE COMMITTEE

AGENDA



Wednesday 25 April, 2018

at 10.00 am

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

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Belcher, Cook, Hall, Hamilton, Harrison, Martin-Wells and Tennant.

Standards Co-opted Members; Mr Stan Cronin, 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 14 February, 2018.
- 3.2 To confirm the minutes of the meeting held on 14 March, 2018.

4. AUDIT ITEMS

- 4.1 Mazars Report- Audit Strategy Memorandum – *Assistant Director, Finance and Customer Services*
- 4.2 Mazars Report- Request for Declarations – *Assistant Director, Finance and Customer Services*
- 4.3 Role of the Chief Finance Officer (CFO) in Public Service Organisations – *Director of Finance and Policy*
- 4.4 Role of the Head of Internal Audit in Local Government – *Assistant Director, Finance and Customer Services*
- 4.5 Internal Audit Outcome Report 2017/18 – *Head of Audit and Governance*
- 4.6 Annual Governance Statement 2017/18– *Assistant Director, Finance and Customer Services*

5. STANDARDS ITEMS

No items.



6. STATUTORY SCRUTINY ITEMS

6.1 Care Quality Commission - Update – *Statutory Scrutiny Officer*

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

No items.

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

No items.

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

No items.

10. MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP

No items.

11. REGIONAL HEALTH SCRUTINY UPDATE

12. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT



AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

14 FEBRUARY 2018

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

Present:

Councillor: Ray Martin-Wells (In the Chair).

Councillors: Belcher, Hall, Hamilton and Harrison.

Co-opted Member: Mr Norman Rollo.

Also Present: In accordance with Council Procedure Rule 5.2 (ii);
Councillor Paul Beck was in attendance as substitute for
Councillor Rob Cook;
Councillor Bob Buchan was in attendance as substitute for
Councillor John Tennant.

Alan Foster, STP Lead
Julie Lane, Director of Nursing, Patient Safety and Quality, North
Tees and Hartlepool NHS Foundation Trust (NTHFT)
Lynn Kirby, Assistant Director, Operations, NTHFT
Jane Barker, General Manager, Women and Children's Services,
NTHFT
Janet Mackie, Head of Midwifery, NTHFT
Keith Wheldon, Directorate Analyst, NTHFT
Peter Mitchell, Director of Estates, NTHFT
Vicky Court, Deputy Chief Operating Officer, North East
Ambulance Service (NEAS)
Debra Stephen, Deputy Director of Quality and Safety, NEAS
Dr Chris Lanigan, Head of Planning and Business Development,
Tees, Esk and Wear Valleys NHS Foundation Trust (TEWV)
Stephen Scorer, Deputy Director of Nursing, TEWV

Officers: Esther Mireku, Acting Consultant in Public Health
Joan Stevens, Statutory Scrutiny Officer
Rachel Parker, Community Safety Team Leader
David Cosgrove, Democratic Services Team

98. Apologies for Absence

Apologies for absence were received from; Councillors Cook and Tennant;
Co-opted Members Mr Stan Cronin and Ms Clare Wilson; and Parish

Council representative R Thompson.

99. Declarations of Interest

None.

100. Minutes of the meeting held on 24 January 2018

Confirmed.

101. Investigation into Elective Surgery at the University Hospital of Hartlepool Site and High Quality Maternity Services:- Update on the Sustainability and Transformation Plan (STP) *(Statutory Scrutiny Officer)*

The STP Lead, Alan Foster, was present at the meeting and gave the Committee an update on the progress both locally and nationally regarding the Sustainability and Transformation Plan. The STP Lead stated that national government was looking to re-brand the review process again and it was to change name to Accountable Care Systems.

At the local level, the Better Health Programme and Hartlepool Matters was informing much of the work that was being undertaken as it focussed on local services and providers working together. In relation to maternity services, which were the focus of the Committee's investigation, the STP Lead stated that the focus was on getting the right balance of services and maintaining as many local services as possible. There were workforce pressures on maternity services across all Trusts. The consultant led service at North Tees Hospital would be maintained – there was no desire or intention to merge with the James Cook Hospital Unit leading to a 10,000 births a year unit. The midwife led service at Hartlepool would also be maintained. There would be some quality issues to address across the three sites, as with the numbers of births at Hartlepool site, and some of the support for the whole package of services would need to be reviewed but Members could be assured there were no plans to change the current position.

The Chair thanked the STP Lead and stated that he was delighted to hear those comments. The Chair referred to the previous meeting of the Committee when Professor Walsh had commented that maternity units facilitating ten thousand births a year were not an ideal solution. The Hartlepool maternity unit was still an ongoing concern with numbers now extremely low. Midwife Maternity Units could be very successful and the Committee was due to visit such a unit in Blackburn and the Chair invited representatives from the Trust to join members on that visit. The Chair stated that he would like to see the situation change so that young mothers were encouraged to use the midwife unit at Hartlepool rather than being frightened away because of the way risks were being explained to them;

they were simply being scared away.

The Director of Nursing, Patient Safety and Quality commented that there work on an action plan around personal choice for expectant mothers had commenced and a board was in place with representatives from the clinical service, providers, Public Health England and two lay members to develop the action plan required. Engagement work was ongoing with pregnant women to find out what their expectations were from the service. The focus on continuity of one to one care with a midwife was primary though there were issues around staffing and the numbers of midwives that meant that this could not always be provided.

The Chair questioned if there were any elected members on the Board. The Director of Nursing, Patient Safety and Quality stated that the Board met the national requirements. The Chair commented that there were frequently no elected members on any of the Boards or committees established in the NHS and the Chair asked that consideration be given to appointing an elected member to the Board.

A Member commented that Hartlepool expectant mothers wanted to have their babies born in Hartlepool. The town was big enough to sustain a maternity unit as it had in the past. Were any actions in place to increase the numbers of midwives. The Director of Nursing, Patient Safety and Quality commented that the issue of a shortage of midwives was a national problem; there were enough trained midwives though not necessarily in the right places.

It was commented that midwives did try to get as many as possible to have their babies in Hartlepool. They did have to inform mothers that should there be any problems during the birth they would have to be 'blue lighted' through to North Tees. There also appeared to be an issue among the families of expectant mothers who were persuading them to go to North Tees rather than choose Hartlepool because of the, limited, potential of needing to go to North Tees if there were any difficulties.

The STP Lead stated that everyone wanted expectant mothers to have a safe birth. They did need to be told of all the issues but this did need to be done in the right way; it was about those women making an informed choice based on the advice of professionals. In relation to the Chair's invite to attend the visit to Blackburn, the STP Lead indicated that there was value in seeing what they did differently and he would look to an appropriate member of staff attending. The Chair commended the STP Lead for such an attitude. What others were doing may not be right for Hartlepool but we should see how they were making a midwife lead service so successful.

Recommended

That the STP Lead and the North Tees and Hartlepool NHS Foundation Trust representatives be thanked for their informative comments and responses to Members questions.

102. Investigation into Elective Surgery at the University Hospital of Hartlepool Site and High Quality Maternity Services:- Hartlepool Patient Feedback
(Statutory Scrutiny Officer)

Lynn Kirby, Assistant Director, Operations, Jane Barker, General Manager, Women and Children's Services and Janet Mackie, Head of Midwifery, NTHFT outlined the patient feedback on the NTHFT maternity services and also the elective surgery services copies of which were included in the Agenda papers. A Member noted that the midwives received very positive comments in the feedback.

The Statutory Scrutiny Officer sought members' feedback on whether the results of the patient survey were sufficient for the purposes for the investigation. The Chair commented that members had indicated a desire to gain further independent feedback and the Chair indicated that he would liaise with the Statutory Scrutiny Officer on an additional survey. The Statutory Scrutiny Officer stated that some additional questions outside those already asked by the Trust for inclusion in the survey would be welcome. However, in order to facilitate that, it was unlikely that the current timetable for a final report on the investigation being available for the committee's consideration in this municipal year would be unlikely and the Officer sought Members' approval to extending the timeframe for the investigation into the new municipal year. Members agreed to the request unanimously.

Recommended

1. That the report and the patient feedback surveys be noted.
2. That the Chair liaise with the Statutory Scrutiny Officer on a further survey of patient feedback on maternity and elective surgery services in Hartlepool and that North Tees and Hartlepool Foundation Trust be requested to submit any additional questions they would wish to include to extend the survey beyond that reported to this meeting.
3. That the timetable for the conclusion of the investigation into elective surgery at the University Hospital of Hartlepool site and high quality maternity services be extended beyond the timetable previously approved to allow sufficient time for the undertaking of the survey.

103. Hospital Shuttle Bus – Verbal Update (Representatives from North Tees and Hartlepool NHS Foundation Trust)

The Director of Estates at North Tees and Hartlepool NHS Foundation Trust updated the Committee on the operation of the shuttle bus service between Hartlepool and North Tees hospitals. As had been reported at previous meetings of the Committee the bus arrangements had been amended by

the Trust to focus more on patient and visitor transport as the period of support for staff transferred between the two hospitals started to come to an end. The transition period had ended for the majority of staff and would cease for all staff by the end of the year. Most staff had now made alternative arrangements travelling by their own vehicles or in car clubs but there were still a number that relied on public transport. A taxi service had been put in place that cost £3 per individual journey for such staff and this was proving to be a viable service for both staff and the taxi company at this time.

The Chair thanked the Director for the update.

Recommended

That the update report be noted.

104. Care Quality Commission - Update (*Statutory Scrutiny Officer*)

The Director of Nursing, Patient Safety and Quality, North Tees and Hartlepool NHS Foundation Trust gave a presentation to the committee updating the position on the implementation of the action plan following the CQC inspection in 2015. The Director indicated that a Peer Review had been undertaken in October 2017 ahead of the CQC unannounced inspections to ensure the recommendations from the 2015 inspection were implemented and embedded within the organisation. The outcomes of the unannounced inspection were still awaited.

Members questioned if the organisation would still be able to sustain those improvements during a time of budget pressures. It was indicated that the improvements had been embedded within the culture of staff but had been an element of the 'well led' review to ensure this was the case.

The STP Lead commented that the Trust was likely to have its first financial deficit and while the financial position of the Trust was important, patient safety was more so. The findings of the Kirkup report into Liverpool's Community Health Trust would have an impact on all health providers and set the focus on quality patient services first, not budgets. The savings achieved through reviewing back office systems, however, would not provide all the financial savings that were needed.

The Chair thanked the Trust representatives for the update.

Recommended

That the update report be noted.

105. North Tees and Hartlepool NHS Foundation Trust – Quality Accounts 2017/18 *(Statutory Scrutiny Officer)*

The Director of Nursing, Patient Safety and Quality and the Directorate Analyst, North Tees and Hartlepool NHS Foundation Trust, gave a presentation updating the Committee on the Trust's performance against the Quality Accounts key priorities for 2017/18.

In relation to the mortality indicators it was reported that Hospital Standardised Mortality Ratio (HSMR) (In-Hospital mortalities) was 99.72 (November 2016 to October 2017). HSMR reporting in the 2016/2017 QA was 104.55 (March 2016 to February 2017). This was a reduction of 4.83 points.

The Summary level Hospital Mortality Indicator (SHMI) (In-Hospital Deaths and those up to 30 days post Acute Trust discharge) was 108.01 (July 2016 to June 2017). SHMI reporting in 2016/2017 QA was 111.95 (October 2015 to September 2016), a reduction of 3.94 points.

In both cases, the indicators were showing a definable downward trend and were expected to be lower still when the most up-to-date figures were available.

Dementia diagnosis figures were continuing to increase year on year and the Trust had recently been congratulated by the Secretary of State for health for the dementia diagnosis processes in accident and emergency.

A new element of the report required by the National Guidance on Learning from Deaths, there was now a mandated requirement to report learning from deaths in the 2017-2018 Quality Accounts.

The report included details of the Specialist Palliative Care team's work within the Trust and the number of patient visits undertaken. The Friends and Family test had in excess of 27,000 responses with over 95% recommending the Trust. As of the end of 31 December 2017 the Trust had received 869 complaints, of which only 141 (16.22%) reached a Stage 3 (Formal Chief Exec Letter) conclusion.

The Trust was to hold its 2017/18 Market Place event on Monday 26 February at North Tees Hospital. There would also be a series of stakeholder visits which would conclude next month prior to the draft version of the 2017/18 Quality Account being made available in March for review and comment. Third party declarations would be required in April before the finalised document was produced in May 2018 and publication on NHS Choices in June.

The Chair welcomed the requirement to report the learning from deaths element in the new QA and a Member asked if there were any figures on patients released from hospital only to return and then die in hospital. The

Trust representatives stated that they did collate re-entry figures and could provide those statistics to the Statutory Scrutiny Officer for circulation. Members also commented that the only market place event was being held at North Tees hospital with no similar event in Hartlepool. The Trust representatives commented that an event had been held in Hartlepool last year and it had been rather poorly attended. There were also issues around staff access as well and the North Tees location allowed for more professionals to be available to speak to stakeholders during the event. The Trust had also undertaken a series of stakeholder visits, like this one, to speak to people directly.

The Statutory Scrutiny Officer indicated that following the presentation and members comments, it was clear that the work around dementia and end of life work should be carried forward. The Statutory Scrutiny Officer sought delegation from the committee, in consultation with the Chair to submit a response to the Trust.

Recommended

1. That the presentation and comments be noted.
2. That the Statutory Scrutiny Officer be delegated, following consultation with the Chair, to formulate a response to the North Tees and Hartlepool NHS Foundation Trust Quality Accounts 2017/18.

106. North East Ambulance Service NHS Foundation Trust – Ambulance Response Standards *(Statutory Scrutiny Officer)*

The Deputy Chief Operating Officer, North East Ambulance Service gave a presentation to the Committee on the Trust's Ambulances Response Standards. The Deputy Chief Operating Officer commented that for the Red 1 and Red 2 calls, NEAS performance had been slipping particularly on Red 1 calls. Paramedics and clinicians were somewhat frustrated that the measures were simply based on a 'clock stopping' approach and after representations to the Secretary of State, new measures had been introduced in October 2017. The new categories are now: -

Category 1 – time critical life threatening events – an average response time of 7 minutes with a 90% response time of 15 minutes.

Category 2 – potentially serious conditions - an average response time of 18 minutes with a 90% response time of 40 minutes.

Category 3 – urgent problems not immediately life threatening - 90% response time of 120 minutes

Category 4 – non-urgent; needs telephone or face to face assessment – 90% response time of 180 minutes.

Specialist response calls in hazardous areas or specialist rescue or mass casualty calls have no response measures.

These new national response targets to apply to every single 999 patient for

the first time and should lead to faster treatment for those needing it to save 250 lives a year. There would be an end to “hidden waits” for millions of patients and there would be new standards to drive improved care for stroke and heart attack patients.

The new targets did, however, require the Trust to reconfigure its fleet and staff. Previously a single responder could ‘clock stop’ the old Red 2 calls but now the measure was met when the conveying response arrived. Assessment now had to be made as to what was the most appropriate response to send to each call. With both category 3 and 4 calls having the 90% monitor more ambulances were going to be needed with crews.

In terms of the new measures, NEAS was meeting the category 1 and 2 measures, and had been the best performing Trust on category 1 calls, though the peak during December had been very difficult. In terms of the category 3 and 4 measures NEAS was struggling to meet the measures consistently primarily due to fleet issues. There were also some issues to tackle in terms of staff availability. Monitoring of 111 activity showed a peak in the afternoon whereas in the past shift patterns had been focussed around peaks in the evening. It was becoming increasingly important to ensure a better clinical assessment prior to sending the most appropriate response out.

The Chair commented that while the response to the new categories required the ‘conveying’ responder, single responders in cars were often very quick to get to patients and could start treating any casualty before the ambulance arrived. The Deputy Chief Operating Officer stated that NEAS was still sending single responders though now they didn’t ‘stop the clock’ but they did get ‘eyes on the patient’ which could be vital. It did look like NEAS was not getting responders to category 2 and 3 calls quickly enough but ‘we’ are; it’s just that they don’t always ‘stop the clock’.

The Chair acknowledged the issue and commented that it would be wrong to be unfair to NEAS on the statistics when they were getting responders there within the timescales. The Chair indicated that he would wish to see single responders maintained by NEAS and would wish to know if any policy decision was taken on removing them in the future. The Chair did feel that a letter should be sent to the Secretary of State requesting the ability to record in some way the attendance of single responders to calls, particularly if they were a paramedic or doctor. The Deputy Chief Operating Officer commented that once the service was up to compliment on fully trained paramedics and crews the issue would dissipate.

The Chair questioned if third party providers were being used on category 3 and 4 calls. The Deputy Chief Operating Officer stated that much depended on assessing a call properly in the first place but there was no intention to use third parties for category 3 and 4 calls.

A member questioned how the recruitment of paramedics was progressing and had the 111 service improved to the point that NEAS was confident the

right responders were being sent to calls. The Deputy Chief Operating Officer indicated that the NEAS 111 service was one of the top performing 11 services in the country and frequently dealt with calls for other service areas when they had reached capacity. The 111 service was working well. The only time the service had struggled with performance measures was due the winter pressure period in December when all trusts were at capacity. In terms of paramedic recruitment, the Trust had recruited a number of international paramedics who were now embedded within the service. There were currently around 40 vacancies for paramedics though it was expected that these posts would be filled by the end of the year as sufficient trainee paramedics currently studying at Teesside University had been signed up. While there was competition from other areas for trainee paramedics, NEAS had improved its offer to new staff with opportunities to work in other disciplines and career progression.

A Member questioned if there was any assessment of what was leading to the increased numbers of calls to the service and how calls were being filtered. The Deputy Chief Operating Officer indicated that there was a high level of triage of calls; was an ambulance and a paramedic required or could the issue be resolved by an appointment at an urgent care centre or with their own GP. Campaigns had been undertaken to educate the public who to call in an emergency or urgent care situation but the publicity tended to lead to more calls.

The Statutory Scrutiny Officer referred to the ability to make appointments directly with GPs and asked of the situation had improved as there had been comment at the last regional scrutiny meeting that not all GP surgeries were signed up. The Chair stated that a letter had gone out to those not in the scheme with the 111 service to reconsider and join. The Deputy Chief Operating Officer stated that the situation was improving though the vast majority had joined the scheme. The Trust had received a national award for this scheme.

Recommended

That the presentation and report be noted.

107. North East Ambulance Service NHS Foundation Trust – Quality Account 2017/18 *(Statutory Scrutiny Officer)*

The Deputy Director of Quality and Safety, North East Ambulance Service, gave a presentation to the Committee on the Trust's Quality Account 2017/18. The trust had identified four quality priorities –

1. Early recognition of sepsis – as at the end of December 81.6% of staff had been trained and it was expected that the target of 95% would be met before the end of March. In relation to the compliance with the sepsis care bundle, the target of 40% had been exceeded and stood at 61%. Work was ongoing on developing further tools on sepsis recognition.

2. Cardiac arrest – the trust had implemented the Resuscitation Academy's ten steps and significant investment in new technology had been made with new defibrillation equipment in all ambulances. In the year to November 2016 there had been 304 successful Return of Spontaneous Circulation (ROSC). In the year nine months to August 2017 this had improved to 394, an average of 10 additional successful Return of Spontaneous Circulation each month.

3. Long waits – all ambulance trusts had suffered a deterioration in response times resulting from increasing demand, staffing pressures, increased travel times and waits resulting from increased pressure across the health system. The trust had implemented a series of actions to address the issues and was partially on track towards achieving its targets and detailed targets and statistics were shown in the presentation. There had been enhancement of real time performance feedback for call handlers and the procedures for reviewing the processes for managing patients who had fallen and experienced long delays.

4. Safeguarding referrals – the trust had been working on improving the quality of its safeguarding referrals and was partially on track to achieving its aims and would be looking towards enhancing the audit process, improving training and developing a pool of safeguarding champions.

The priorities for 2018/19 would include a continuation of the work on sepsis, cardiac arrest and delays with a focus on patients who fall receiving some initial support. Other potential areas for monitoring including improving mental health pathways, improving end of life care and issues around frailty i.e. falls, dementia and emergency care plans.

Members welcomed the work around safeguarding though questioned what safeguards were in place for staff in what is a very stressful job. The Deputy Director of Quality and Safety commented that they had recognised this issue and had built on the role of clinical care managers. Staff involved in traumatic events would get some immediate 'down time' and there was one to one support available for all staff as well as the usual occupational health support. There was an experienced safeguarding on hand and the Trust had recently achieved the Investors in People award. It was also indicated that the MIND Blue Light service was also available to front line workers and could be accessed anonymously.

The Chair referred to the end of life services and asked if the Trust still had the specialised end of life ambulance. The Deputy Director of Quality and Safety stated that the trust was proud of this service and had recently won an award for this service which included the specialised ambulance.

The Statutory Scrutiny Officer indicated that a response to the Quality Account would be prepared in consultation with the Chair and asked for the Committee's delegation to complete that response. In terms of the response the Statutory Scrutiny Officer asked if members supported the

retention of the existing priorities; this was supported by the Members present.

Recommended

1. That the presentation and comments be noted.
2. That the Statutory Scrutiny Officer be delegated, following consultation with the Chair, to formulate a response to the North East Ambulance Service NHS Foundation Trust Quality Accounts 2017/18.

108. Tees, Esk and Wear Valleys NHS Foundation Trust – Quality Account 2017/18 *(Statutory Scrutiny Officer)*

The Head of Planning and Business Development and the Deputy Director of Nursing, Tees, Esk and Wear Valleys NHS Foundation Trust (TEWV), gave a presentation to the Committee reviewing performance against the 2017/18 Quality Accounts and looking towards measures for the 2018/19 QA. The current QA included measures for – recovery, safe staffing, falls, reducing preventable deaths and child and adult services transitions. Details of the performance against the specific measures were set out in the presentation, Areas for the new quality account suggested by the Trust included reducing preventable deaths, child and adult services transitions, services to people with substance misuse and MH issues (dual diagnosis) and personnel care planning.

The Acting Consultant in Public Health referred to learning from deaths was a significant issue particularly around men's mental and suicides where Hartlepool's statistics were poor. The Statutory Scrutiny Officer sought the Committee's delegation, in consultation with the Chair to produce an appropriate response including the suggestion around men's mental health.

Recommended

1. That the presentation and comments be noted.
2. That the Statutory Scrutiny Officer be delegated, following consultation with the Chair, to formulate a response to the Tees, Esk and Wear Valleys NHS Foundation Trust Quality Accounts 2017/18.

109. Six Monthly Monitoring of Agreed Scrutiny Recommendations *(Statutory Scrutiny Officer)*

The Statutory Scrutiny Officer submitted details of the progress made on the delivery of scrutiny recommendations that fell within the remit of the Committee. The only recommendation highlighted as being overdue was SCR-HS/3a/i relating to the CVD provision commissioned by HBC; this service provision was currently under review.

Recommended

That the report be noted.

110. Minutes of the Meeting Of Tees Valley Health Scrutiny Joint Committee held on 11 October, 2018

Noted.

111. Regional Health Scrutiny Update

The Chair indicated that there was a meeting of the North East Joint Health Scrutiny Committee the day after this meeting and there would be a particular focus on pharmacy services.

112. Safer Hartlepool Partnership Performance *(Director of Regeneration and Neighbourhoods)*

The Community Safety Team Leader provided an update on the Safer Hartlepool Partnership's performance for Quarter 3, October to December 2017. It was highlighted that crime was up by 23% with burglary being a major part of the increase, though the statistics now included garage and shed break-ins. There had also been an increase in vehicle thefts particularly in the Headland and Harbour and Burn Valley wards.

Members commented on the issues of police officers spending extended periods of time at the law courts waiting to give evidence, often in their own time. The problems were only exacerbated with all court hearings now being in Middlesbrough. This was a considerable waste of police resources which had been raised with the Police and Crime Commissioner and the Member asked if there was any monitoring that could be undertaken and action to reduce this wasted time. The Chair supported the comments and suggested that this was an issue that should be referred to the judiciary and supported that being done.

Another Member was concerned that the work undertaken in schools and been watered down over time due to budget cuts but considered that addressing the issues around crime early could only be of benefit to the wider community. The Community Safety Team Leader stated that the work with schools did continue.

The Chair commented that the Committee had to record its disappointment with the increase in reported crime though recognised that hate crime incidents had reduced when other areas had reported increases.

Recommended

That the report be noted.

113. 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.

Respite Opportunities and Short Breaks Consultation – Joint Committee Update

Councillor Harrison reported that she had attended a further meeting of the joint committee with Councillor Hamilton. At the meeting the Hartlepool and Stockton Clinical Commissioning Group (CCG) reported that after the consultation feedback they were choosing the second of the two options for the new service delivery model for respite care. This was the preferred option, though in Councillor Harrison's opinion still not a perfect solution. The model would still give people the option of the two facilities at Bankfields and Aysgarth House. While there were only two people from Hartlepool currently accessing services at Aysgarth House, they were very worried about the future of the service. Members stated that they were not happy with the plans but would continue to work as a joint committee to ensure the right facilities for users were put in place.

The Chair welcomed the Councillors commitment to continue working with the joint committee and sought the Committee's approval to that continuing; this was supported unanimously.

Councillors Harrison and Hamilton undertook to further update reports to the Committee.

Recommended: -

It was agreed that HBC would not be pursuing a referral to the Secretary of State in relation to the CCG's decision to progress Option 2 (as detailed in the consultation). The Committee's representatives (Councillors Harrison and Hamilton) would, however, continue to play an active part in the monitoring process for the implementation of Option 2, in order to ensure that there was clarity in terms of the assessment / eligibility process and what / how services would be provided to ensure that the requirements of those who needed to access these service were met, now and in the future.

Roseberry Park

Councillor Harrison reported that the issues around Roseberry Park had been discussed at the Joint committee where it was reported that the contractor involved in the works was Carillion. Following the movement of patients out of Roseberry Park to allow the works to commence, some patients had been decanted to Sandwell Park in Hartlepool. There was concern that as this facility was now full, there were no mental health care beds available in Hartlepool. The Chair indicated that he had been assured that the situation was temporary and the facility at Sandwell Park was not closing. Councillor Harrison indicated that the Joint Committee had asked for an investigation into Carillion's involvement in the project.

Noted.

The Refugee Project

The Chair referred to the Committee's consideration on the refugee project at the previous meeting and reported that following discussions with the Leader of the Council following the meeting consideration was being given to the potential to offer some assistance to the project through the provision of some of the council's housing stock that was otherwise proving difficult to let to the project. Members welcomed the report.

Noted.

The meeting concluded at 12.45 pm

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

14 March 2018

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

Present:

Councillor: Ray Martin-Wells (In the Chair).

Councillors: Belcher, Cook, Hall, Harrison and Tennant.

Co-opted Members: Mr Stan Cronin and Ms Clare Wilson.

Also Present: Sue Greaves, NHS Hartlepool and Stockton on Tees CCG
Philip Kerr, North East Independent Complaints and Advocacy Service
Cath Andrew, Mazars
Carl Parker, Ann Heppenstall and Emily Orcheston-Findlay, McKenzie Group
Lisa Hall and Ruth Dixon, Care Quality Commission

Officers: Peter Devlin, Chief Solicitor
Joan Stevens, Statutory Scrutiny Officer
Noel Adamson, Head of Audit and Governance
Denise Wimpenny, Democratic Services Team

114. Apologies for Absence

Apologies for absence were received from Councillor Hamilton and Co-opted Member Mr Norman Rollo.

115. Declarations of Interest

None at this point in the meeting. However, the Chair declared an interest later in the meeting (Minute 121 refers)

116. Minutes of the meeting held on 14 February 2018

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

117. Internal Audit Plan 2017/18 Update (*Head of Audit and Governance*)

The report provided Members with an update of the progress made to date in completing the Internal Audit plan for 2017/18. Further detail was provided within the report regarding the schools audits that had been completed and that the associated recommendations had been agreed. 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.

Recommended

The content of the report was noted.

118. Internal Audit Plan 2018/19 (*Head of Audit and Governance*)

The report provided Members of the direction of internal audit activity, and sought approval of the annual operational Internal Audit Plan for 2018/19 attached at Appendix A.

An outline of the internal audit resources for 2018/19 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. Further details were provided within Appendix A of the focus of coverage across the Council.

Recommended

The 2018/19 Internal Audit Plan was approved and the Internal Audit budget for 2018/19 of £230,000 was noted.

119. Mazars Report – Grant Report (*Assistant Director, Finance and Customer Services*)

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 report was noted.

120. **Review of Local Government Ethical Standards – Stakeholder Consultation** (*Chief Solicitor and Monitoring Officer*)

Members were provided with a detailed and comprehensive report which provided the background to the principles which governed the conduct of Members and co-opted Members including the establishment and purpose of the Committee on Standards in Public Life, the ‘seven principles of public life’, the provisions of the Local Government Act 2000, which introduced a Model Code of Conduct, as well as the establishment of a Statutory Standards Committee, the functions of which were provided.

The report included background information to the introduction of the Localism Act 2011, the subsequent abolition of the Standards Board regime and Model Code of Conduct and the introduction of a code around the seven general principles of public life. The main issues that had caused some consternation in the operation of the ethical standards regime of the Localism Act, was the inability to apply sanctions such as disqualification and suspension, where a Member had infringed the Code of Conduct.

The Committee on Standards in Public Life were now seeking the views of all public stakeholders in undertaking a review of Local Government Ethical Standards. This particular consultation opened on 29 January 2018 and closed on 18 May 2018. Members’ views were sought in relation to the consultation questions as set out in the report.

In the lengthy discussion that followed presentation of the report, concerns were expressed regarding the limited powers available under the current regime. The Chief Solicitor and Monitoring Officer responded to a number of issues raised arising from the report. Clarification was provided in relation to the circumstances in which the Code of Conduct was engaged. Members were pleased to note that in the last five years, of the 49 complaints received; only a small proportion had resulted in a finding of fault. The Committee raised concerns regarding the current processes and practices, particularly in relation to the resource implications of investigating such complaints in terms of officer time and that of Independent Persons, given the limited sanctions available, and welcomed a review of the current regime.

Recommended

- (i) The Committee noted the stakeholder consultation undertaken through the Committee on Standards in Public Life.
- (ii) That the comments of Members, as outlined above, be noted and be utilised to formulate a response to the consultation.
- (iii) That delegated authority be granted to the Chief Solicitor and Monitoring Officer, in consultation with the Chair of the Audit and Governance Committee, to finalise a response to the consultation on

behalf of the Committee.

121. **APMS Contract – Update** (Statutory Scrutiny Officer)

The Committee at its meeting held on 21 June 2017, requested a further update on the implementation of the merger of the practices at Wynyard and Hartfield Medical Centre and the new contract. Representatives from NHS Hartlepool and Stockton-on-Tees Clinical Commissioning Group (CCG) and the MacKenzie Group Practice, were in attendance at the meeting. Dr Carl Parker from the McKenzie Group Practice provided an update in a detailed and comprehensive presentation which focussed on the following:-

Challenges

- Staff
- Computers
- Locums
- Premises
- Telephones

Patient Care

- Prescribing/Controlled drugs
- Patient expectations on prescribing
- Change in behaviour
- Clinical Recruitment
- Rota
- Diabetes
- Respiratory Nurse
- Pharmacy input

Patient Participation Group

- 27 September 2017, 10 January 2018 and 18 April 2018
- Single PPG
- Outcome

CQC

- Inspection - 31 January 2018
- Draft report – final report expected in next couple of weeks

Future Developments

- Attendance at time out events
- Dedicated prescription line
- Practice promotion
- Health promotion events

Violent Patient Scheme

- Risk assessment of Wynyard Road
- Service not commenced
- Costing and options

Prior to debate in relation to this item of business the Chair declared a personal interest.

In the discussion that followed the presentation, the Chair welcomed the update and, whilst it was pleasing to note some positive public feedback, there had been some concerns around the ongoing problems associated with contacting the surgery by telephone. A query was raised as to whether the introduction of a dedicated prescription line may assist with issues of this type and the benefits of introducing a telephone prescription review system to reduce surgery attendances was highlighted. In response, the Committee was advised of the current prescription review arrangements and the importance of regular monitoring of certain medications. Plans were in place to review such practices and it was envisaged that in the next six to nine months arrangements would be in place to prescribe on a six or twelve monthly basis, where it was safe to do so.

In response to a Member's comments in relation to the difficulties encountered in terms of waiting times in some pharmacies, as well as issues around pharmacy size and working space for staff, the representative agreed to refer this matter to NHS England. The Statutory Scrutiny Officer reported that a pharmaceutical needs assessment review had been undertaken and was due to be published on 25 March 2018. The review had involved Members of this Committee, the Health and Wellbeing Board as well as a variety of other providers.

Recommended

- (i) That the contents of the presentation and comments of Members be noted.
- (ii) The Provider be congratulated on the implementation of the merger of the practices.

122. Independent Complaints Advocacy Service (*Statutory Scrutiny Officer*)

The Committee received a presentation by Philip Kerr, Contracts Manager, North East NHS Independent Complaints Advocacy(ICA). The Board was advised that the ICA provided free, confidential and independent advocacy support to people wishing to raise a complaint about their NHS funded treatment of care. The presentation included details of the staff team and

other resources, the various ways in which the ICA could help, the partnership working, the complaints process, who was supported and the types of complaints dealt with by the ICA.

In relation to referrals to the service, Members welcomed the benefits of support services of this type and questioned how the service was communicated to the public. Emphasis was placed upon the need to publicise the service more widely. The Chair suggested that a page be publicised in Hartbeat to include signposting information to direct individuals as appropriate.

A Member referred to the Hartlepool client profile information provided which confirmed 80% of Hartlepool clients reported a pre-existing health condition which appeared excessive as a comparator with others. The Committee requested a breakdown in this regard as well as a breakdown of complaints of North Tees and Hartlepool hospitals. The Chair suggested that the information currently provided by ICA to Healthwatch be shared with this Committee on a quarterly basis.

In response to clarification sought, the representative responded to issues raised in relation to the presentation. Clarification was provided on the various methods of providing free, confidential and independent advocacy support in Hartlepool which included home visits.

Recommended

- (i) That details of the ICA service and signposting information be widely publicised and included in a future edition of Hartbeat.
- (ii) That statistical information be provided following the meeting in relation to pre-existing health conditions in Hartlepool together with a breakdown of complaints of North Tees and Hartlepool hospitals.
- (iii) That information currently provided by ICA to Healthwatch be shared with this Committee on a quarterly basis.

123. Care Quality Commission Update *(Statutory Scrutiny Officer)*

Following a brief comfort break, the Chair introduced representatives from the Care Quality Commission (CQC) who were in attendance at the meeting to provide the Committee with an update on the work of the Care Quality Commission in relation to health services.

The representatives expressed apologies that the rating information they had expected to share with Committee Members today was unfortunately not available due to an IT related issue. The representatives were pleased to report that overall there had been improvements since the last inspection with some exceptional examples of good practice in terms of caring in certain services which had been reflected in the final report. Arrangements

would be made to circulate the final report to the Statutory Scrutiny Officer and report the findings to a future meeting of this Committee.

Recommended

That the Care Quality Commission provide a copy of the final report when available and report the findings of the report to a future meeting of this Committee.

124. Minutes from the Recent Meeting of the Health and Wellbeing Board

Received.

125. Minutes from the Recent Meeting of the Finance and Policy Committee

Received.

126. Minutes from the Recent Meeting of Tees Valley Health Scrutiny Joint Committee

Received.

127. Minutes from the Recent Meeting of Safer Hartlepool Partnership

Received.

128. Regional Health Scrutiny Update

The Statutory Scrutiny Officer advised that the Committee would continue to participate in the Regional Health Scrutiny Committee as appropriate. Hartlepool's term of office, as Lead Authority, was due to come to an end shortly with the potential for other local authorities to take a lead on Chairing future meetings. The Chair indicated his willingness to continue in this role in the event that no other nominations were forthcoming.

Recommended

That the update be noted.

129. Date and Time of Next Meeting

It was reported that the next meeting would be held on 25 April 2018 at 10.00 am.

The meeting concluded at 11.20 am.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

25 April 2018



Report of: Assistant Director, Finance and Customer Services

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 2018. The plan sets out the proposed audit approach and is prepared to assist the Audit and Governance Committee in fulfilling its governance responsibilities.

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 There is a risk that 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 John Morton
Assistant Director, Finance and Customer Services
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

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Email: John.Morton@Hartlepool.gov.uk



Audit Strategy Memorandum

Hartlepool Borough Council

Year ending 31 March 2018





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1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for Money
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

This document is to be regarded as confidential to Hartlepool Borough Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance by the Council. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

4.1 Appendix 1

Mazars LLP
Salvus House
Ayckley Heads
Durham
DH1 5TS

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

January 2018

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2018

We are pleased to present our Audit Strategy Memorandum for Hartlepool Borough Council for the year ending 31 March 2018.

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. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence.

We consider two-way communication with you to be key to a successful audit and 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 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 facing the Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0191 383 6300.

Yours faithfully

Cameron Waddell
Partner

For and on behalf of Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Hartlepool Borough Council (the Council) for the year to 31 March 2018. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: www.psaa.co.uk/audit-quality/terms-of-appointment/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission. We do this by issuing an assurance certificate which confirms that the Council is below the audit threshold set by the NAO.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities. 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), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a 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.

As part of our audit procedures in relation to fraud 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.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.



2. YOUR AUDIT ENGAGEMENT TEAM



- Cameron Waddell, Partner
- cameron.waddell@mazars.co.uk
- 0191 383 6300



- Cath Andrew, Senior Manager
- cath.andrew@mazars.co.uk
- 0191 383 6300



- Rebecca Dearden, Assistant Manager
- rebecca.dearden@mazars.co.uk
- 0191 383 6300

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

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

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected 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.

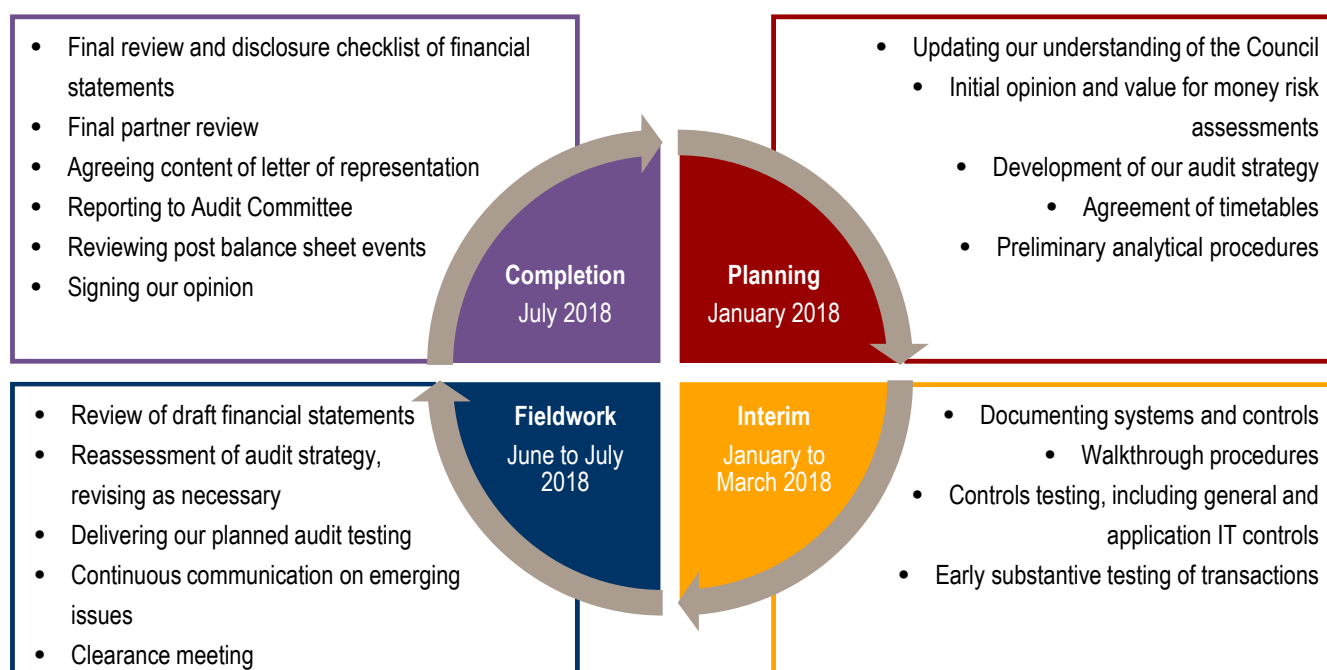
Audit approach

Our approach is risk-based primarily driven by the factors we consider lead to a higher risk of material misstatement. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

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. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

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



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

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.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

| Items of account | Management's expert | Our expert |
|--|---|---------------------------------------|
| Defined benefit liability | Actuary (Aon Hewitt). | NAO's consulting actuary (PWC). |
| Property, plant and equipment | Internal valuer from the Council. | NAO's consulting valuer (Gerald Eve). |
| Financial instrument disclosures | Link asset services. | NAO. |
| NNDR data, including an estimate of the appeals provision. | Rateable values database analyst (Analyse Local). | Not applicable. |

Service organisations

International Auditing Standards define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

| Items of account | Service organisation | Audit approach |
|------------------|----------------------|---|
| IT services | Northgate | Reliance on the controls within the council over the entries generated by the IT systems. |

Reporting deadlines

As we have previously discussed with the Audit and Governance Committee, the statutory timetable for the production and audit of the Council's financial statements changes for 2017/18. The Council is now required to produce accounts by 31 May 2018 (1 month earlier) and to publish audited accounts by 31 July 2018 (2 months earlier). The Council successfully met the earlier timetable in 2016/17 and the majority of the audit work was also completed by the end of July 2017.

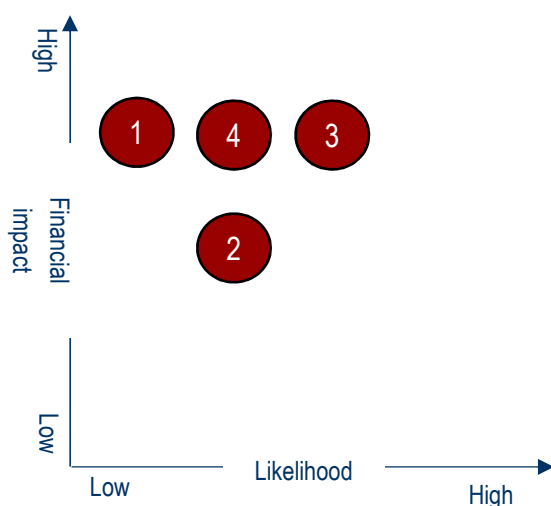


4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

- Significant risk** A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.
- Enhanced risk** An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
 - other audit assertion risks arising from significant events or transactions that occurred during the period.
- Standard risk** This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant and other enhanced risks. We have summarised our audit response to these risks on the next page.



| Risk | |
|------|---|
| 1 | Management override of control |
| 2 | Revenue recognition |
| 3 | Property, plant and equipment revaluation |
| 4 | Defined benefit liability valuation |



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We explain the identified risks and our testing approach in the table below. An audit is a dynamic process and if we change our view of risk or our approach to address the identified risks during the course of our audit we will report this to the Audit and Governance Committee.

Significant risks

| | Description of risk | Planned response |
|---|--|---|
| 1 | Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their 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 there is a risk of material misstatement due to fraud on all audits. | We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual. |
| 2 | Revenue recognition – fees and charges 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 2017/18. We have identified income from fees and charges as the key areas of audit testing. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism. | 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, April and May 2018 to ensure they have been recognised in the right year, testing material year end receivables, testing adjustment journals and obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger. |
| 3 | Property, plant and equipment revaluation The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk. | We will consider the Council's arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's valuer. We will also assess the competence, skills and experience of the valuer. Where necessary we will also perform further audit procedures on individual assets to ensure that the basis and level of revaluation is appropriate. |
| 4 | Defined benefit liability valuation 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. | We will discuss with key contacts any significant changes to the pension estimates. 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 PSAA Ltd. |



5. VALUE FOR MONEY WORK

Our approach to value for money work

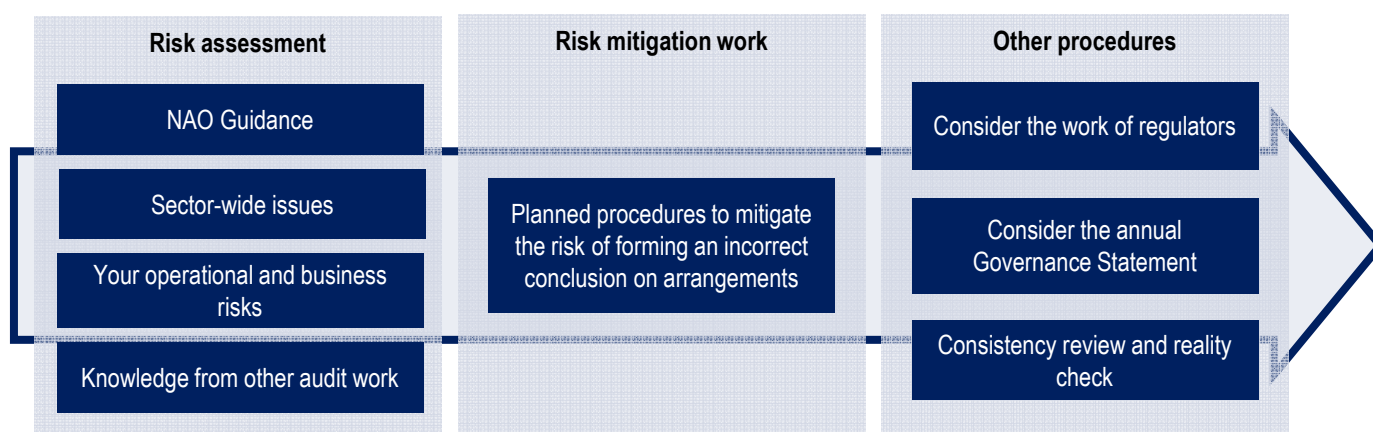
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council 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 assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are provided set out by the NAO:

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

A summary of the work we undertake is provided below.



Significant value for money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2017/18 financial year, we have identified the following significant risk to our VFM work.

| Description of significant risk | Planned response |
|--|---|
| <p>Our audit work in previous years has concluded that the Council has arrangements in place for medium term financial planning. The Council continues to face financial pressure in the coming years and the Council has recently updated its medium term financial strategy (MTFS).</p> <p>We need to ensure our knowledge of the Council's MTFS arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.</p> | <p>Building on our work in previous years, we will review the Council's updated 2018 MTFS to ensure it reflects the latest funding position from central government and review and update our knowledge of the arrangements the Council has in place to monitor progress against its savings plans and income projections that underpin the MTFS.</p> |



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 20 April 2017.

| Service | 2016/17 fee | 2017/18 fee |
|---------------------------------------|-------------|-------------|
| Code audit work | £108,938 | £108,938 |
| Housing benefit subsidy certification | £13,860 | £10,297 |

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

| Service | 2016/17 fee | 2017/18 fee |
|--------------------|-------------|--------------|
| Teachers' Pensions | £2,500 | To be agreed |



7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. 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;
- 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 partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

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

In previous years we have been engaged to do work on the Teachers' Pension return and if we are again the following safeguards will apply.

| Area | Perceived threat | Safeguards and procedures |
|--|------------------|---|
| Services in relation to grant and returns certification and assurance. | Self -review | The review does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars. |
| | Self interest | The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis. |
| | Management | The work does not involve Mazars making any decisions on behalf of management. |
| | Advocacy | The work does not involve Mazars advocating the Council to third parties. |
| | Familiarity | Work is not deemed to give rise to a familiarity threat given these pieces of assurance work used to fall under the Audit Commission's certification regime and were the responsibility of the Council's appointed auditor. |
| | Intimidation | The nature of the work does not give rise to any intimidation threat from management to Mazars. |

No threats to our independence have been identified.



8. MATERIALITY AND MISSTATEMENTS

Definitions

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.

Summary of initial materiality thresholds

| Threshold | Initial threshold (£'000s) |
|--|----------------------------|
| Overall materiality | £5,435 |
| Specific materiality | |
| • Members allowances | £6 |
| • Senior manager remuneration | 10% of total balance |
| • Exit packages | £100 |
| Trivial threshold for errors to be reported to the Audit Committee | £163 |

Materiality

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 based on quantitative and qualitative factors.

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.

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.

Our provisional materiality is set based on a benchmark of gross revenue expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We consider that gross revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of gross revenue expenditure.

Based on last year's audited accounts we anticipate the overall materiality for the year ending 31 March 2018 to be in the region of £5.435m (£4.526m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £163,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Cameron Waddell.



APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

| Required communication | Audit Strategy Memorandum | Audit Completion Report |
|--|---------------------------|-------------------------|
| Our responsibilities in relation to the audit of the financial statements and our wider responsibilities | ✓ | |
| Planned scope and timing of the audit | ✓ | |
| Significant audit risks and areas of management judgement | ✓ | |
| Our commitment to independence | ✓ | ✓ |
| Responsibilities for preventing and detecting errors | ✓ | |
| Materiality and misstatements | ✓ | ✓ |
| Fees for audit and other services | ✓ | |
| 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 | | ✓ |
| Summary of misstatements | | ✓ |
| Management representation letter | | ✓ |
| Our proposed draft audit report | | ✓ |



APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2017/18

There are no significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2017/18. Minor changes to the Code include:

- introduction of key reporting principles for the preparation and publication of the Narrative Report;
- clarification of reporting requirements on accounting policies and going concern; and
- updating the accounting requirements for the Housing Revenue Account to align these with changes to underlying regulations and directions.

None of the above are anticipated to have a significant impact on the Council.

Changes in future years

| Accounting standard | Year of application | Implications |
|--------------------------------|---------------------|---|
| IFRS 9 – Financial Instruments | 2018/19 | <p>The standard will replace IAS 39 and will introduce significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.</p> <p>Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised costs</p> <p>For councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.</p> |
| IFRS 16 – Leases | 2019/20 | <p>We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council (and its schools) are party to.</p> |

The 2018/19 Code will also apply the requirements of IFRS 15 Revenue from Contracts with Customers, but it is unlikely that this will have significant implications for most local authorities.



AUDIT AND GOVERNANCE COMMITTEE

25 April 2018



Report of: Assistant Director, Finance and Customer Services

Subject: MAZARS REPORT- REQUEST FOR
DECLARATIONS

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 Request for Declarations.

2. BACKGROUND

- 2.1 International Auditing Standards require auditors to ask management and those charged with governance about arrangements the body has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

This requirement applies each year subject to audit.

- 2.2 For Hartlepool Borough Council, Mazars consider the Audit and Governance Committee to be those charged with governance, in line with the scheme of delegation in the Constitution. Mazars have requested responses to the questions detailed in the attached report and would be grateful for a response at the next committee meeting in July 2018.
- 2.3 To meet this request a report detailing a suggested reply to the questions posed will be brought before Members at July's Audit and Governance Committee meeting for consideration.

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 There is a risk that 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.
 - ii. Review the suggested response to the questions posed by Mazars at July's Audit and Governance Committee.

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 Request for Declarations.

14. CONTACT OFFICER

14.1 John Morton
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Request for Directors' Declarations

Hartlepool Borough Council

March 2018





CONTENTS

1. Purpose of this document
2. Questions about arrangements for preventing and detecting fraud
3. Questions about arrangements for complying with law and regulations responsibilities
4. Questions about the appropriateness of the going concern assumption
5. Contact details

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

1. PURPOSE OF THIS DOCUMENT

International Auditing Standards require auditors to ask management and those charged with governance about arrangements the body has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

This requirement applies each year subject to audit.

For Hartlepool Borough Council, we consider the Audit and Governance Committee to be those charged with governance, in line with the scheme of delegation in the Constitution. We request your responses to the questions detailed below and would be grateful for a response at the next Committee meeting in July 2018.

Our request also covers the appropriateness of the going concern assumption.

1. Purpose

2. Fraud

3. Laws

4. Going concern

5. Contact details

2. QUESTIONS ABOUT ARRANGEMENTS FOR PREVENTING AND DETECTING FRAUD

- How does the Audit and Governance Committee assess the risk that the financial statements may be materially misstated due to fraud?
- Is the Audit and Governance Committee aware of management's process for identifying and responding to the risks of fraud generally and specific risks of misstatement in the financial statements?
- Is the Audit and Governance Committee aware of the arrangements in place for management to report about fraud to the Audit and Governance Committee?
- Is the Audit and Governance Committee aware of the arrangements management have in place, if any, for communicating with employees, lay members, partners and stakeholders regarding ethical governance and standards of conduct and behaviour?
- Does the Audit and Governance Committee have knowledge of actual or suspected fraud, and if so is it aware of what actions management is taking to address it?
- What arrangements are in place for the Audit and Governance Committee to oversee management arrangements for identifying and responding to the risks of fraud and the establishment of internal control?

1. Purpose

2. Fraud

3. Laws

4. Going concern

5. Contact details

3. QUESTIONS ABOUT ARRANGEMENTS FOR COMPLYING WITH LAW AND REGULATIONS RESPONSIBILITIES

- Has management provided a clear statement which confirms its consideration of relevant laws and regulations and its compliance with them?
- How does the Audit and Governance Committee satisfy itself that all relevant laws and regulations are being complied with?
- Is the Audit and Governance Committee aware of any instances of non-compliance with laws or regulations?
- Has management provided a list of litigation and claims?
- Has an assessment been made of the outcome of the litigation or claim and its estimate of the financial implications, including costs involved?
- Has the reasonableness of management's assessments been considered and additional information provided to the auditor where necessary?

1. Purpose

2. Fraud

3. Laws

4. Going concern

5. Contact details

3. QUESTIONS ABOUT THE APPROPRIATENESS OF THE GOING CONCERN ASSUMPTION

- Has a report been received from management forming a view on going concern?
- Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the strategic business plan and the financial information provided to the Audit and Governance Committee throughout the year?
- If not, does the report contain a clear explanation, with supporting evidence, for the assumptions used, and are those assumptions appropriate? This should include written evidence of agreed income and expenditure for major funding streams.
- Are the implications of statutory or policy changes appropriately reflected in the business plan, financial forecasts and report on going concern?
- Have there been any significant issues raised with the Audit and Governance Committee during the year (e.g. adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control, or significant variances to activity levels compared to those planned), which could cast doubts on the assumptions made?
- Has an analysis been undertaken of the Council's projected or actual performance against its financial plan? If so, is it robust and does it identify any areas of potential concern?
- Where there are potential concerns what action is being taken to address those areas of potential weakness?
- Does the organisation have sufficient staff in post, with the appropriate skills and experience, particularly at senior management level, to ensure the delivery of the organisation's objectives? If not, what action is being taken to obtain those skills?

1. Purpose

2. Fraud

3. Laws

4. Going concern

5. Contact details

3. CONTACT DETAILS

Please let us know if you would like further information on any items in this report.

www.mazars.co.uk

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Partner

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0191 383 6300

1. Purpose

2. Fraud

3. Laws

4. Going concern

5. Contact details

AUDIT AND GOVERNANCE COMMITTEE

25 April 2018



Report of: Director of Finance and Policy

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. As Director of Finance and Policy, I am the Councils nominated Section 151 Officer.

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 There is a risk that if 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, this could lead 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

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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. Director of Finance and Policy (DFP) leads on all financial matters and ensures Finance and Policy Committee and Corporate Management Team (CMT) buy-in in to Medium Term Financial Strategy and supporting strategies. DFP is also Deputy Chief Executive. | 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. | DFP reports directly to Chief Executive. Has regular 1 to 1 meetings with Chief Executive. Is a member of Corporate Management Team. DFP is also Deputy Chief Executive. | 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. |

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| | | 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. |

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| 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). | | | Implement best practice in change management and leadership. | Ongoing development through LMDP/ 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

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| 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. |

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

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| 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 |

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| 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 |

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| 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. | |

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| 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 |

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| | | | | | 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 | | |

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| | 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. |

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| 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. DFP 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 | Council 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 |

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| 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 Heartbeat. |
| 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 DFP. | 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. |

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| 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 DFP. | | | 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. | DFP 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 |

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| | 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. | DFP qualified with CIPFA in 1993 and has held a variety of position with Hartlepool, before appointment as DFP in 2016, was appointed CFO in 2010. Roles include Chief Accountant and ACFO (Corporate Finance). Since 1996 the current DFP 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. | DFP has 25 years' post qualification experience and sound understanding of public service finance and its regulatory environment. |
| Apply the principles of corporate finance, economics, risk | See above |

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| management and accounting. | |
| Understand personal and professional strengths. | DFP 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. | DFP role has been refocused on core financial responsibilities to ensure financial challenges faces the Council can be managed. DFP has clear understanding of no-financial areas affecting his role. |

AUDIT AND GOVERNANCE COMMITTEE

25 April 2018



Report of: Assistant Director, Finance and Customer Services

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.

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 There is a risk that 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

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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 Director of Finance and Policy (DFP) and Assistant Director of Finance and Customer Services (ADFCS).</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 DFP, ADFCS 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> |

| 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> |

| 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 25 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 DFP and ADFCS and IA. Relationships built up over a number of years.</i> |

| 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 25 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> | | |

| 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 line with the | <i>HIA designated individual employed within the Authority.</i> | Escalating any concerns through the line manager, CFO, | <i>Protocols in place and enshrined in Internal Audit Charter and Strategy for</i> | Network effectively to raise the profile and status of internal audit. | <i>Relationships built up over a number of years backed up by regular</i> |

| Governance requirements | HBC Arrangements | Core HIA responsibilities | HBC Arrangements | Personal skills and professional standards | HBC Arrangements |
|---|---|--|---|---|--|
| 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. | | Monitoring Officer, Head of Paid Service, Audit Committee, Leadership Team and external auditor as appropriate. | <i>escalation of concerns.</i> | | <i>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 ADFCS 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 25 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with ADFCS 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 an employee then | <i>HIA senior manager within the Finance function reporting directly to the ADFCS.</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 |
|---|---|----------------------------------|-------------------------|---|---|
| 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: □ to bring influence to bear on material decisions reflecting governance □ direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit | <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 |
|--|---|---------------------------|------------------|---|--|
| □ 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 25 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with ADFCS 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 to perform their role effectively. | <i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met.</i> | Leading and directing the internal audit service so that it makes a full contribution to and meets the needs of the authority and external | <i>Approval and consultation process for the Internal Audit plan ensures that it adds value to the organisation. HIA responsible for facilitating</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 Investigatory Practices.</i> |

| Governance requirements | HBC Arrangements | Core HIA Responsibilities | HBC Arrangements | Personal skills and professional standards | HBC Arrangements |
|---|---|---|---|--|---|
| | | stakeholders. | <i>this process.</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 ADFCS 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 and seeing that these needs are met. | <i>Professional guidance implemented in respect of training needs and development issues are addressed.</i> | Promote effective communication within internal audit, across the broader organisation and with external stakeholders. | <i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i> |

| Governance requirements | HBC Arrangements | Core HIA Responsibilities | HBC Arrangements | Personal skills and professional standards | HBC Arrangements |
|-------------------------|------------------|--|--|--|--|
| | | Developing succession plans and helping staff with their career progression. | As above | Set and monitor meaningful performance objectives for staff. | CIPFA “Excellent Auditor Framework” implemented within section for all training and development needs. |
| | | 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 supervision and review of files, to ensure that | CIPFA guidance in relation to continuous improvement followed. | Manage and coach staff effectively | As above. |

4.4

| Governance requirements | HBC Arrangements | Core HIA Responsibilities | HBC Arrangements | Personal skills and professional standards | HBC Arrangements |
|-------------------------|------------------|--|---|---|---|
| | | 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 Technical Information Service, CIPFA NE IA Group, North East Fraud Forum and National Anti Fraud Network 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 called upon for specialist advice not available within | <i>Arrangements in place to ensure specialist services can be procured as and when</i> |

| Governance requirements | HBC Arrangements | Core HIA Responsibilities | HBC Arrangements | Personal skills and professional standards | HBC Arrangements |
|-------------------------|------------------|---------------------------|------------------|---|---|
| | | | | the internal audit service. Promote discussion on current governance and professional issues and their implications. | necessary. HIA mentors audit staff undertaking regular team meetings to facilitate discussion. Role on various working groups ensures topics are discussed and disseminated. |

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 the role | <i>As above, monitoring and mentoring role undertaken by ADFCS in his role as Deputy Section 151 officer ensures compliance.</i> | | | Adhere to professional internal auditing (and where appropriate accounting and auditing) standards. | <i>HIA member of CIPFA for 21 years and is bound by all relevant professional and personal requirements.</i> |
| | | | | Demonstrate a range of skills including communicating, managing | <i>HIA undergoes CPD tailored to requirements of the role as well as</i> |

| Governance requirements | HBC Arrangements | Core HIA responsibilities | HBC Arrangements | Personal skills and professional standards | HBC Arrangements |
|-------------------------|------------------|---------------------------|------------------|--|---|
| | | | | and influencing, as well as an understanding of IT and consultancy. | <i>mentoring by ADFCS.</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 ADCFS.</i> |
| | | | | Understand the internal audit and regulatory environment applicable to public service organisations. | <i>HIA has 21 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 range of the authority's activities and processes. | <i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by ADFCS.</i> |

AUDIT AND GOVERNANCE COMMITTEE

25 April 2018



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT OUTCOME REPORT 2017/18

1. PURPOSE OF REPORT

- 1.1 To inform members of the outcomes of audit work covering the period April 2017 to March 2018.

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 2017/18 on a range of key performance indicators.
- 2.4 Hartlepool Borough Council also provides audit services to Cleveland Fire Authority. In addition to the audits detailed in Appendix A, Internal Audit completed 16 major systems and probity reviews for the CFA during 2017/18.

3. AUDIT INPUTS 2017/18

- 3.1 There were 1021 audit days allocated at 1.04.17 to planned and responsive activities during 2017/18.
- 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 2017/18.

4. OUTCOMES

- 4.1 Appendix A schedules all the planned audits undertaken in 2017/18. At the time this report was completed end of year work was being finalised on Debtors, Payroll and Benefits Year End Testing, however, sufficient reliance could be placed on testing completed for the purposes of the 2017/18 audit opinion. Only a minority of systems and arrangements reviewed required improvement in Hartlepool.
- 4.2. From the work undertaken during the year 2017/18, 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 2017/18.

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 2017/18, 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 2018/19 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 2017/18. Performance against these targets is detailed below:

Internal Audit Performance Indicators

| Indicator | Target Set for 2017/18 | Actual Performance 2017/18 |
|--|------------------------|----------------------------|
| 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. | 30.06.18 | 25.04.18 |

7. RISK IMPLICATIONS

- 7.1 There is a risk that 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

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Appendix A

Summary of Internal Audit Planned Work Undertaken for 2017/18

| Audit | Assurance Level |
|---|------------------------|
| Fuel Management | Satisfactory |
| Public Health 0-5 Year Olds | Satisfactory |
| Youth Employment Initiative Claim Process | Satisfactory |
| Computer Audit – Any Comms System | Satisfactory |
| Social Fund Section 17 Payments | Limited |
| Youth Employment Initiative QTR 3 Claim | Limited |
| Youth Employment Initiative QTR 4 Claim | Satisfactory |
| Day Centres | Limited |
| School Catering | Limited |
| Computer Audit – Resource Link System | Satisfactory |
| Payroll | Satisfactory |
| Adult Education | Limited |
| Members Allowances | Satisfactory |
| Computer Audit – Mobile Devices | Satisfactory |
| Cash/Bank System | Satisfactory |
| Benefits | Satisfactory |
| Car Parking | Limited |
| Better Care Fund | Satisfactory |
| St Hilds Secondary School | Satisfactory |
| Barnard Grove Primary School | Satisfactory |
| Sacred Heart Primary School | Satisfactory |
| Grange Primary School | Satisfactory |
| Ward Jackson Primary School | Satisfactory |
| Inspiration Garden Centre | Satisfactory |
| VAT | Satisfactory |
| Industrial Estates and Lettings | Satisfactory |
| Troubled Families Grant | Satisfactory |
| Council Tax Year End | Satisfactory |
| Non Domestic Rates Year End | Satisfactory |
| Main Accounting System | Satisfactory |
| Debtors | Satisfactory |
| Creditors | Satisfactory |
| Officers Expenses | Satisfactory |
| Budgetary Control Year End | Satisfactory |
| I World Application Audit | Satisfactory |
| Salaries and Wages Year End Testing | Satisfactory |
| Loans and Investments | Satisfactory |
| Stores | Limited |
| Computer Audit Network Controls | Satisfactory |
| Middleton Grange Shopping Centre | Satisfactory |
| Direct Payments | Limited |
| Youth Employment Initiative Qtr 1 Claim | Satisfactory |

| | |
|--|--------------|
| Youth Employment Initiative Qtr 2 Claim | Satisfactory |
| Community Safety | Limited |
| Transport Grant | Satisfactory |
| Debtors | Satisfactory |
| Integra Application Controls | Satisfactory |
| Springwell School | Satisfactory |
| St Teresa's Primary School | Satisfactory |
| Kingsley Primary School | Satisfactory |
| St Josephs Primary School | Satisfactory |
| CCTV Part 2 | Satisfactory |
| Controcc/CareFirst Application | Satisfactory |
| Registrars | Satisfactory |
| Concessionary Fares | Satisfactory |
| Ethics Review | Satisfactory |
| Serious and Organised Crime Pilot Study Review | Satisfactory |
| Youth Employment Initiative - Claim 3 | Satisfactory |
| Private Taxi Hire | Satisfactory |
| Licensing | Satisfactory |
| Gifts and Hospitalities | Satisfactory |
| Creditors | Satisfactory |
| Council Tax | Satisfactory |
| Non Domestic Rates | Satisfactory |

AUDIT AND GOVERNANCE COMMITTEE

25 April 2018



Report of: Assistant Director, Finance and Customer Services

Subject: ANNUAL GOVERNANCE STATEMENT
2017/18

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. The 2017/18 AGS is attached as Appendix A.

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
- Director of Finance and Policy
- Assistant Director of Finance and Customer Services
- 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 There is a risk that 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 2017/18 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

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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 *Delivering Good Governance in Local Government Framework 2016*. 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) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (AGS).

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 2018 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 Director of Finance and Policy and the Assistant Director (Finance and Customer Services). 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 2016/17 Statement

- 3.1 Progress has been made over the course of 2017/18 to actively manage and address issues identified as part of the 2016/17 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 Council Plan, revised Performance Management Framework and Medium Term Financial Strategy, the sustainability of services and level of performance. | A strategic multiyear approach to financial management is embedded with a revised savings programme encompassing key required elements at a corporate and departmental level developed and 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. The Council Plan for 2017/18 has been largely delivered and is reported to Members via Finance and Policy Committee on a quarterly basis. The Council Plan, Medium Term Financial Strategy and the 5 year Capital Plan have been developed as three parts of a single strategy to ensure the linkages between the three are strengthened. |
| Ensuring appropriate | In March 2017, HBC completed the National |

| | |
|--|--|
| arrangements for Information Governance – Complying with NHS requirements. | Information Governance (IG) Toolkit. This is an on-line tool which organisations complete to assess themselves against national Information Governance policies and standards. In completing and achieving these standards, it allows the Council to get access to health's N3 network, i.e. a secure communications network allowing information to be exchanged between these organisations and help integrate and transform health and social care services. The Toolkit also allows members of the public to view participating organisations' IG Toolkit assessments and their progress towards compliancy. This is an annual requirement that will be completed again in March 2018 to allow continued access to the N3 network (now called the 'Health and Social Care Network'). |
| Ensuring adequate management arrangements for non core grant funding. | Internal review of management arrangements undertaken to ensure risks in relation to performance monitoring and claim processing are mitigated. Development and agreement of strategies and plans for effective working between HBC and partner organisations. |

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 is scheduled to be reviewed annually and has subsequently been reviewed and the outcomes reported to Council on the 23rd May 2017, with a supplemental review reported to Council on 22nd June 2017. A further update was reported to Council on 14th December 2017.

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 requirements. 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 24th January 2018 and referred to Council for approval on 22nd February 2018 for the financial year 2018/19. 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 Ministry of Housing, Communities and Local government (HCLG) 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 Director of Finance and Policy reports to the Audit and Governance Committee how the Council's 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 An updated Code of Conduct for Employees has been approved, published and communicated to all employees. A Health and Safety

Policy has been approved and published and a Communication Strategy implemented to ensure general awareness. The Council has also implemented a programme of Health and Safety Leadership Training for senior managers.

- 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 its 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 produces a Council Plan that sets out the Council's ambitions for the town. The Council Plan 2017/18-2019/20 was agreed by Council on 16th March 2017. The Council Plan, Medium Term Financial Strategy and the 5 year Capital Plan have been developed as three parts of a single strategy to ensure the linkages between the three are strengthened. The Council's performance management arrangements are based on the Council Plan which identifies a series of 6 strategic priorities under which sit a number of key deliverables. Progress against the Council Plan is reported to SLT and Finance & Policy Committee on a quarterly basis and the three-year Plan is subject to an annual refresh. The refreshed Council Plan is to be taken for approval to the first ordinary full Council of the new municipal year in June 2018.
- 4.10 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.
- 4.11 A Data Quality framework is in place with Internal Audit conducting a targeted annual review of PIs. The Council's Performance Management Framework includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. The Framework 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, Comments and Compliments 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 National Anti Fraud Network and takes part in regular National Fraud Initiative reviews and the North East Fraud Forum. The Council has updated its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- 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 will be identified within the Council Plan and changes 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. 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 and performance framework is considered as part of the preparation of the AGS.
- 4.18 The Council's Performance and Risk Management system Pentana Performance 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 General Data Protection Regulation (GDPR) is new European legislation and replaces the Data Protection Act in the UK. This was designed to harmonise data privacy laws across Europe, to protect and empower all EU citizens' data privacy and to reshape the way organisations across the region approach data privacy and security. The key changes that GDPR bring into force include

strengthening conditions for consent, increasing penalties for the most serious of infringements, speeding up breach notification, expanding users access rights and introducing the 'right to be forgotten' for the data subject. In order to ensure compliance with these requirements the Council has identified a named Data Protection Officer and established a GDPR Working Group with representatives from each Department. Work is ongoing to identify all data currently held and classify it in line with the new requirements.

- 4.20 The Council has 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 annually.
- 4.21 Responsibility for updating and implementing Corporate Business Continuity has transferred to the Assistant Director (Environment and Neighbourhood Services). A Revised Business Continuity Policy and accompanying Plan is being developed to complement the existing Business Continuity Database. Work is ongoing to identify and document formal decant arrangements for the delivery of priority services in the event of a disruption. A rolling exercising programme to test the plan focusing on two separate services per year is in development.
- 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 produced a Workforce Equality Information Report 2016/17 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 the report is regularly updated. Our latest equality objectives were agreed by Council as part of the Council Plan 2017/18 – 2019/20 on 16th March 2017.

- 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 and through our use of Equality Impact Assessments.
- 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". The most recent SIF inspection which is the most comprehensive inspection framework for CS rated Hartlepool CS as 'good'. Most childcare providers and schools are rated "good" or "outstanding" and none are "inadequate". A CQC Local System Review of services for older people in October 2017 identified a wide range of examples of good practice and found that a multidisciplinary integrated approach provided a proactive and solution focused service that improved people's experiences. Commissioned services for adults with care and support needs are predominantly rated 'good' by CQC with no services rated inadequate. An Ofsted inspection of Adult Education in December 2017 rated the service as good. Hartlepool Connect has achieved the Customer Service Excellence standard. In their 2016/17 Annual Audit Letter, Mazars, the Councils 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.
- Director of Finance and Policy – reports to the Audit and Governance Committee how the Council's financial arrangements conform to 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 reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
 - 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, 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 Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth. | The approved 2018/19 MTFS includes savings proposals to be implemented in 2019/20 and 2020/21. However, after reflecting these proposals the Council still faces net budget deficits in these years. Detailed proposals for addressing the residual budget deficits will be developed during 2018/19, this will ensure these proposals can be implemented in 2019/20 and 2020/21. The ongoing implementation and refresh of the 3 year Council Plan taking into account the impact of the financial challenges facing the Council, with regular performance reporting to CMT and Members. | 2018/19 – 2020/21 | CMT |

| | | | | |
|---|----------------------------------|--|---------|-----|
| 2 | Business Continuity Arrangements | Responsibility for updating and implementing Corporate Business Continuity has transferred to the Assistant Director (Environment and Neighbourhood Services). A Revised Business Continuity Policy and accompanying Plan is being developed to complement the existing Business Continuity Database. Work is ongoing to identify and document formal decant arrangements for the delivery of priority services in the event of a disruption. A rolling refreshed programme to test the plan focusing on two separate services per year is in development. | 2018/19 | CMT |
|---|----------------------------------|--|---------|-----|

| | | | | |
|---|---|--|---------|-----|
| 3 | Ensuring adequate management arrangements for non core grant funding. | <p>The Council is accountable body for competitively secured time limited grant resources for projects that requires the authority to have in place robust arrangements for managing such funding streams.</p> <p>a) The Governance Framework covering grant claims has been strengthened.</p> <p>b) Development and implementation of a strategy for effective working between HBC and delivery partners with programme workshop/review held on 26.01.18.</p> <p>c) Ongoing engagement with funders regarding the potential extension of programme.</p> | 2018/19 | CMT |
| 4 | General Data Protection Regulation (GDPR) | In order to ensure compliance with the new requirements by May 2018, the Council has identified a named Data Protection Officer and established a GDPR Working Group with representatives from each Department. Work is ongoing to identify all data currently held. Data will then be classified and held securely in line with the new requirements. | 2018/19 | CMT |

| | | | | |
|---|---|--|-------------------|-----|
| 5 | Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives. | Responsibility for delivery of schemes allocated to senior officers. Regular progress and budget monitoring undertaken through the capital programme management group, chaired by the Director and the Councils Strategic Asset Management Board. Regular updates provided to members. | 2018/19 – 2020/21 | 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)?

The AGS 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?**

AUDIT AND GOVERNANCE COMMITTEE

25 April 2018



Report of: Statutory Scrutiny Officer

Subject: CARE QUALITY COMMISSION - UPDATE

1. PURPOSE OF REPORT

- 1.1 To introduce representatives from the Care Quality Commission (CQC) who will be in attendance at today's meeting to provide the Committee with an update on their recent inspection report on North Tees and Hartlepool NHS Foundation Trust.

2. BACKGROUND INFORMATION

- 2.1 The CQC is the independent regulator of health and adult social care in England. They make sure health and social care services provide people with safe, effective, compassionate, high-quality care and we encourage care services to improve. The CQC register care providers; monitor, inspect and rate services; take action to protect people who use services; and speak with their independent voice, publishing their views on major quality issues in health and social care¹.
- 2.2 Representatives from the Care Quality Commission will be in attendance at today's meeting to provide the Committee with an update on their recent inspection.

3. RECOMMENDATIONS

- 3.1 The Audit and Governance Committee note the update and seek clarification on any issues, where required.

BACKGROUND PAPERS

The following background papers were used in preparation of this report:-

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¹ <http://www.cqc.org.uk/about-us/our-purpose-role/who-we-are>