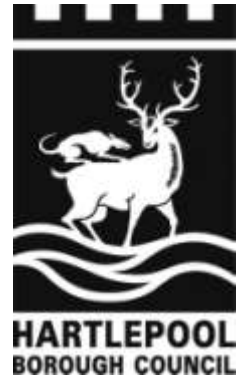


AUDIT AND GOVERNANCE COMMITTEE

AGENDA



Thursday 18 April 2019

at 10.00 am

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

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Belcher, Cook, Hall, Hamilton, Lindridge, Loynes and Tennant.

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

Parish Council Representatives: Parish Councillor John Littlefair (Hart) and Parish Councillor Don Cameron (Greatham).

Local Police Representative: Superintendent Alison Jackson.

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 28 March 2019 (to follow).

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 2018/19 - *Head of Audit and Governance*
- 4.6 Annual Governance Statement 2018/19 - *Assistant Director, Finance and Customer Services*



5. **STANDARDS ITEMS**

No items.

6. **STATUTORY SCRUTINY ITEMS**

No items.

7. **OTHER SCRUTINY ITEMS**

No items.

8. **MINUTES FROM THE RECENT MEETING OF THE HEALTH AND WELLBEING BOARD**

No items.

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

No items.

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

No items.

11. **MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP**

No items.

12. **REGIONAL HEALTH SCRUTINY UPDATE**

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

For information: -

Dates and times of forthcoming meetings to be confirmed.



AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

28 MARCH 2019

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

Present:

Councillor: Brenda Loynes (In the Chair).

Councillors: Ged Hall, Lesley Hamilton, Jim Lindridge and John Tennant.

Co-opted Member: Mr Stan Cronin.

Also Present: Lindsey Robertson, Keith Wheldon and Fiona McEvoy – North Tees and Hartlepool NHS Foundation Trust
Debra Stephen and Mark Cotton – North East Ambulance Service NHS Foundation Trust
Dominic Gardner, Chris Lanigan and Leanne Crindle – Tees, Esk and Wear Valleys NHS Foundation Trust

Officers: Joan Stevens, Statutory Scrutiny Officer
David Cosgrove, Democratic Services Team

104. Apologies for Absence

Apologies for absence were received from Councillors Sandra Belcher and Rob Cook; Co-opted members Mr Norman Rollo and Ms Clare Wilson and Parish Councillor John Littlefair.

105. Declarations of Interest

None.

106. Minutes of the meeting held on 14 March, 2019

Confirmed, subject to the addition of Councillor Lindridge to those present.

107. Quality Accounts 2018/19 – North Tees and Hartlepool NHS Foundation Trust (*Statutory Scrutiny Manager*)

The representatives from North Tees and Hartlepool NHS Foundation Trust gave a presentation to the Committee outlining the three key priorities in the

2018/19 Quality Accounts and seeking input on the key priorities for 2019/20.

In updating the Committee on 2018/19 performance the Trust representatives highlighted the following key points: -

- The two mortality indicators – Hospital Standardised Mortality Ratio (HSMR) and the Summary level Hospital Mortality Indicator (SHMI) – had both now improved significantly and were at the point of expected levels. The standardised result for both national indicators was 100 – that being the anticipated levels – and HSMR was 97.79, i.e. below the national indicator and SHMI was 100.72, i.e. only very slightly above the measure. It was indicated that the recording process for SHMI meant that the figures were always around three months behind the HSMR statistics and therefore the Trust was confident the rate for SHMI would also fall below the national average. This reflected the huge amount of work that had been undertaken within the Trust, not only on recording, to bring the statistics in line with national expectations when they had both been significantly above only a few years ago.
- Dementia/delirium diagnosis had increased. This was both down to an aging population and improved assessment at the point of admission.
- Infection control statistics were good with year on year reductions.
- Friends and Family Test results and numbers of complaints also showed good improvement.

Members discussed the two death rates and congratulated the Trust on the improvements. Members questioned the numbers of deaths at home and how these were reflected. The Trust representative stated that the HSMR and SHMI numbers related only to deaths in the hospital, or in the case of SHMI, those recorded 30 days after discharge. Deaths at home would be recorded in Public Health England statistics and the Chair indicated that those statistics would be sought for Members information.

Members questioned the impact of the Dementia Champions within the Trust. The Trust representatives indicated that there were 200 Dementia Champions in the Trust. The Trust was liaising with Tees, Esk and Wear Valleys NHS Foundation Trust on work that could be undertaken to ward environments that would assist dementia patients. This was a challenging area and with the continual rise in diagnosed patients one that was likely to be very resource intensive in the future.

In relation to infection control Members questioned the figures for *Pseudomonas Aeruginosa* bacteraemia which were the only infection control figures which had shown a rise. The Trust representatives stated that the numbers in 2017/18 of 5 cases and 2018/19 of 8 cases were statistically very low and this was only the second year of capturing these specific figures. It would take a few more years of statistics to be able to ascertain what a baseline was and how they compared to other Trusts.

In general with all the statistics and complaints information recorded,

Members asked if it would be possible in future years to differentiate between the two sites, Hartlepool and North Tees, to give some local context.

Members questioned the complaints statistics and asked if there were many that were still unresolved say two or three years after the initial complaint. The Trust representatives stated that it was rare for a complaint to take such a length of time, even if it had been referred to the Ombudsman. In response to further questions the Trust indicated that there were always a number of people that remained unsatisfied with the outcome of their complaint even when the process had been completed. The intention was that as many complaints as possible were completed at stage 1 direct with the staff involved and the majority of complaints were usually around communication and often relating to discharge procedures.

Members welcomed the news in relation to staffing in that vacancies for nursing staff were at their lowest for a number of years and the Trust commented that this was the first year they had not needed to undertake a recruitment exercise in the Philippines. There were also few consultant vacancies. The Chair questioned if this could mean the return of consultant led maternity services at Hartlepool as set out in the recommendations of the Committee's recent investigation report. The Trust representatives stated that the Trust was aware of the report and that the maternity services issue was one around systems as well as organisation.

The Statutory Scrutiny Manager sought Members support for the priorities outlined for the third party declaration and should Members have any additional comments or priorities they would wish to see forwarded to the Trust, an appropriate response would be forwarded by the Chair.

Recommended

1. That the North Tees and Hartlepool NHS Foundation Trust representatives be thanked for their presentation and responses to Member questions.
2. That the Statutory Scrutiny Manager in conjunction with the Chair of the Committee submit an appropriate response to the Trust.

108. Quality Accounts 2018/19 – North East Ambulance Service NHS Foundation Trust (*Statutory Scrutiny Manager*)

The representatives of the North East Ambulance Service NHS Foundation Trust gave a presentation to the Committee outlining the three key priorities in the 2018/19 Quality Accounts and seeking input on the key priorities for 2019/20 and also updating Members on performance.

The presentation highlighted the work undertaken on the priorities for 2018/19 which were early recognition of sepsis, cardiac arrest – improving survival, and improving response to patients over 65yrs with non-injury falls.

In relation to performance statistics it was stated that new performance measures and statistics were introduced that had changed the way some calls were responded to, such as attending a stroke patient where in the past a single emergency responder would 'stop the clock' on such calls. This was not now the case, as such patients had to be transported to hospital, thereby needing an ambulance with a two staff crew.

For Category 1 calls 'time critical life threatening events', the average response time was 6:11 minutes against a national standard of 7:00 minutes and a 90% response time of 10:35 minutes against a national requirement of 15:00 minutes.

For Category 2 calls 'potentially serious conditions' the average response time was 20:51 against a national standard of 18:00 minutes and a 90% response time of 43:48 minutes against a national standard of 40:00 minutes.

For Category 3 calls 'urgent problems not immediately life threatening' the 90% average response time was 2:49:57 hours against a national standard of 2:00:00 hours.

For Category 4 'non urgent; needs telephone or face-to-face assessment' the 90% response time was 2:52:03 hours against a national standard of 3:00:00 hours

The Trust representatives acknowledged the picture was mixed with very good performance on Category 1 and 4 but with some work to do on the others. However, when compared with the performance of other Trusts, NEAS was performing quite well.

When the Trust had assessed the service need to go with the new requirements, it had calculated a budget need of £19.8m. The NEAS budget had been increased by £10.4m with the remainder to be identified from internal savings. Staff would be required for the 36 new vehicles identified and that recruitment had commenced though it did take 3 years to train a paramedic. The aim was to have a workforce split 60/40 in favour of paramedic trained staff; the current split was 50/50. There was also to be a change in the allocation of resources as, at present, there were simply too many crews available at night and insufficient during the day when measured against the calls received.

Members discussed the improvements in the statistics around cardiac arrest and welcomed the Trust's support for the implementation of community defibrillators which the Trust was also supporting through a £500 contribution to communities and local groups wishing to provide a defibrillator in areas where the coverage was currently low.

Members also expressed their concern for the staff involved in dealing with major incidents, such as road traffic accidents, and questioned what sort of support there was for such staff. The Trust representative stated that this was an issue raised through Regional Scrutiny some five years or so ago and the Trust had made addressing the issue a priority and significant

changes had been made. The Trust had introduced a new tier of clinical care managers whose role was to support staff. Despatch would automatically despatch a clinical care manager to a crew that had been involved in such a significant incident and their role was to support that crew and debrief them. The crew will have been stood down following the incident to allow this process to happen. If needed, any staff members could request further support and this could be provided in-house or through external partners. Members also asked if this was helping with staff retention. The Trust representatives indicated that staff retention was much improved and the vacancy rate, which was once one of the highest in the country, was now joint lowest.

Members queried the number of ambulances available to Hartlepool at any one time. The Trust representatives stated that vehicles were moved around as they were constantly working with more vehicles dependent on demand. The Chair asked if there were any specific arrangements for the maternity unit for a quicker response than currently and more in line with the agreement Blackburn has. The Trust representative stated that the maternity unit had been classified as a 'place of safety' as the 'patient' had a medical professional with them. That 'place of safety' designation had now been removed after discussions with clinicians and should an emergency call now be placed it would be responded to as that as the Trust understood there would be a clinical decision made that the patient needed to be moved because they could no longer care for them in that environment. There was to be an upgrade to the triage system implemented shortly which would include the allocation of a Category 1 ambulance for a mum if the midwife made the call. The Chair welcomed the update.

There was a brief discussion around nuisance calls and the costs associated with them. The Trust indicated that the number of such calls was very low. There were a number of known 'frequent callers' and the Trust did work with other agencies (GPs, social care or mental health support) whenever necessary. A calculation of cost had not been undertaken.

The Statutory Scrutiny Manager sought Members support for the priorities outlined for the third party declaration and should Members have any additional comments or priorities they would wish to see forwarded to the Trust, an appropriate response would be forwarded by the Chair.

Recommended

1. That the North East Ambulance Service NHS Foundation Trust representatives be thanked for their presentation and responses to Member questions.
2. That the Statutory Scrutiny Manager in conjunction with the Chair of the Committee submit an appropriate response to the Trust.

109. Quality Accounts 2018/19 – Tees, Esk and Wear Valleys NHS Foundation Trust *(Statutory Scrutiny Manager)*

The representatives of Tees, Esk and Wear Valleys NHS Foundation Trust gave a presentation outlining the three key priorities in the 2018/19 Quality Accounts and seeking input on the key priorities for 2019/20. The key priorities for 2018/19 that were to be extended into 2019/20 included : -
improving the clinical effectiveness and patient experience at the time of transition;
improving the personalisation of care planning;
developing a trust-wide approach to dual diagnosis which ensures that people with substance misuse issues can access appropriate and effective mental health services; and
reducing the numbers of preventable deaths.

In addition to these 'reviewing our urgent care services and identifying a future model of delivery' was to be added for 2019/20.

Members discussed the issues around the transition of young people from CAMHS to adult services and also the access to CAMHS services in the first instance. The Trust representative indicated that the response rate for CAMHS appointments was very good at initial appointments within four weeks. The main issues centred around the levels of demand and follow-up appointments. There was currently a review ongoing of children's mental health services across the CCG area. Transitions between services hadn't been well handled for a number of years and now every CAMHS service user would have a planning meeting between their 17th and 18th birthdays to assess if there was a need for them to transition and if so, what services were needed. There were issues around older teenagers disengaging with services and there was a wider consideration of whether transition services should be extended into their 20s.

The meeting discussed the issues around services to young people, the Trusts potential links into primary care settings and the still existing stigma around mental health issues, though this was now becoming more acceptable with the high levels of publicity and public debate. The Trust's recruitment and retention of staff was also discussed with the Trust indicating that across the Tees Valley, recruitment and retention rates were very good though regionally and nationally, CAMHS recruitment was still a particular issue.

A Member referred to some specific problems around the justice system and the identification of mental health needs and services with the Trust agreeing there were problems but often much did depend on people wanting to work with mental health services.

The Statutory Scrutiny Manager sought Members support for the priorities outlined including the additional priority for 2019/20 for the third party declaration and should Members have any additional comments or priorities

they would wish to see forwarded to the Trust, an appropriate response would be forwarded by the Chair.

Recommended

1. That the Tees, Esk and Wear Valleys NHS Foundation Trust representatives be thanked for their presentation and responses to Member questions.
2. That the Statutory Scrutiny Manager in conjunction with the Chair of the Committee submit an appropriate response to the Trust.

110. Minutes of the Meeting of the Health and Wellbeing Board held on 10 December 2018.

Received.

111. Minutes of the Recent Meeting of Tees Valley Health Scrutiny Joint Committee held on 11 December 2018.

Received.

112. Regional Health Scrutiny Update - Minutes of the Meeting held on 27 November 2018

Received.

113. Any Other Items which the Chairman Considers are Urgent

None.

The meeting concluded at 12.25 pm.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

18 April 2019



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 2019. 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
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AUDIT AND GOVERNANCE COMMITTEE

18 April 2019



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 2019.

- 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 Declarations

Hartlepool Borough Council

March 2019





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 2019.

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.

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1. Purpose

2. Fraud

3. Laws

4. Going concern

5. Contact details

AUDIT AND GOVERNANCE COMMITTEE

18 April 2019



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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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 performance management.	See Above	Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.	See Above.

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 material business decisions; and	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 delivery.	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes matters and ensuring Members and Corporate Management Team (CMT) buy-in in to Medium Term Financial	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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– direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit.			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.

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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.

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.

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

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

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

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

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

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

	Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.	Performance and Risk Management Group, Line 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	Direct line management responsibility for all audit matters, FPR's and

underpinned by clear and well documented internal controls.	Standing Orders.
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	Council Plan reviewed and monitored. 1 to 1 meetings with senior	Promote effective communication within the finance department,	Finance Management Team meetings for internal communication.

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ensuring that the services provided are in line with the expectations and needs of its stakeholders.	finance manager and regular performance appraisals.	across the broader organisation and with external stakeholders.	All finance staff briefing 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	Actively seek professional expertise

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called upon for specialist advice not available within the finance function.	where needed i.e. 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.

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Demonstrate IT literacy.	CFO has required IT 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 26 years' post qualification experience and sound understanding of public service finance and its regulatory environment.
Apply the principles of corporate finance,	See above

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economics, risk 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

18 April 2019



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>
Require staff to report suspected or	<i>Corporate Anti-Fraud and Corruption Strategy</i>	Demonstrating the benefits of good	<i>HIA undertakes proactive role on relevant working</i>	Demonstrate consultancy skills as appropriate –	<i>As above</i>

detected fraud, corruption or impropriety to the HIA.	<i>agreed by Audit and Governance Committee</i>	governance for effective public service delivery and how the HIA can help.	<i>parties and officer groups i.e. Performance and Risk Management Group.</i>	analytical, problem solving, influencing and communicating.	
		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 HIA’s line manager and the Audit Committee should specifically approve the IA strategy for	<i>Not Applicable.</i>	Producing evidence based annual internal audit opinion on the authority’s control environment.	<i>Annual opinion report HIA is produced and presented to the Audit and Governance Committee by the HIA.</i>	Demonstrate integrity to staff and others in the authority.	<i>HIA undergoes CPD tailored to requirements of the role i.e. CIPFA Certificate in Investigatory Practices.</i>

these and associated plans and reports and ensure the work is independently managed.					
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 26 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. Assessing whether lines of responsibility and assurance are clear.	<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 Members.	<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>
Agree the terms of reference for internal audit with the HIA,	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit</i>	Liaising closely with the external auditor to share knowledge and to use	<i>Protocol in place for joint working with External Audit.</i>	Be concerned for action - influencing the Leadership Team, Audit Committee	<i>As above</i>

the Audit Committee and the CFO, as well as with the Leadership Team.	<i>Strategy as agreed by members and reflected in the Audit Manual.</i>	audit resources most effectively.		and others to ensure that the HIA's recommendations are implemented.	
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 26 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 Committee.</i>		
Include awareness of governance in the competencies required by members of the	<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	<i>Internal Audit Strategy and Charter in place with Public Sector Internal Audit Standards detailing day to day arrangements.</i>		

Leadership Team.		of any limitations in assurance given by others.			
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 principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this	<i>HIA designated individual employed within the Authority.</i>	Escalating any concerns through the line manager, CFO, Monitoring Officer, Head of Paid Service, Audit Committee, Leadership Team and external auditor as appropriate.	<i>Protocols in place and enshrined in Internal Audit Charter and Strategy for escalation of concerns.</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 meetings, 1-2-1s with key officers.</i>

is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement.					
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 26 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 the reporting line must be clearly set out in the contract or agreement with the internal audit supplier.	<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>
Establish an Audit Committee in line with guidance and	<i>Audit and Governance Committee established in line with CIPFA</i>			Build and demonstrate commitment to continuous improvement and	<i>As above</i>

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Appendix A

good practice.	<i>guidelines.</i>			innovative, but risk-aware, solutions.	
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 □ to attend meetings of the Leadership Team and Management Team where the HIA considers this to be appropriate.	<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>
Set out unfettered rights of access for internal audit to all	<i>Councils Constitution details access arrangements for Internal</i>			Work effectively with the Leadership Team and Audit Committee with	<i>Experience gained over 26 year Internal Audit career. HIA undergoes</i>

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Appendix A

papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.	<i>Audit, reflected in the Audit Manual.</i>			political awareness and sensitivity.	<i>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 stakeholders.	<i>Approval and consultation process for the Internal Audit plan ensures that it adds value to the organisation. HIA responsible for facilitating this process.</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>
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	<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>

		with others and buying in where appropriate.			
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>
		Developing succession plans and helping staff with their career progression.	<i>As above</i>	Set and monitor meaningful performance objectives for staff.	<i>CIPFA "Excellent Auditor Framework" implemented within section for all training and development needs.</i>
		Establishing a quality assurance and improvement programme that includes:	<i>CIPFA guidance in relation to continuous improvement followed.</i>	Manage and coach staff effectively	<i>As above.</i>

<p>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 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.</p>			
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4.4 Appendix A

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 the internal audit service.	<i>Arrangements in place to ensure specialist services can be procured as and when necessary.</i>
		Promote discussion on current governance and professional issues and their implications.	<i>HIA mentors audit staff undertaking regular team meetings to facilitate discussion. Role on various working groups ensures topics are discussed and disseminated.</i>

Principle 5 – The HIA in a local authority must be professionally qualified and suitably experienced					
Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Appoint a professionally qualified HIA whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	<i>Job description and recruitment process ensure only appropriately qualified and experienced individuals considered.</i>			Be a full member of an appropriate professional body and have an active programme for personal professional development.	<i>HIA qualified with CIPFA in 1997 and actively participates in mandatory CPD scheme</i>
Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in 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 22 years and is bound by all relevant professional and personal requirements.</i>
				Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consultancy.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by 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>

4.4 Appendix A

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 22 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

18 April 2019



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT OUTCOME REPORT 2018/19

1. PURPOSE OF REPORT

- 1.1 This report provides members with the Head of Audit and Governance assurance opinion on the adequacy and effectiveness of the Council's internal control environment.
- 1.2 The report also informs members of the outcomes of audit work covering the period April 2018 to March 2019.

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.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for internal audit in local government. PSIAS was the Code under which the Internal Audit Service operated during 2018/2019. It sets out the requirement for the Head of Audit and Governance to report to officers and the Audit and Governance Committee to help inform their opinions on the effectiveness of the Internal Control environment in operation within the Council.
- 2.3 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.
- 2.4 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.

- 2.5 This report also details the performance of Internal Audit in 2018/19 on a range of key performance indicators.
- 2.6 Hartlepool Borough Council also provides audit services to Cleveland Fire Authority. In addition to the audits detailed in Appendix A, Internal Audit completed 15 major systems and probity reviews for the CFA during 2018/19.

3. AUDIT INPUTS 2018/19

- 3.1 There were 1080 audit days allocated at 1.04.18 to planned and responsive activities during 2018/19.
- 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 2018/19.

4. OUTCOMES

- 4.1 Appendix A schedules all the planned audits undertaken in 2018/19. At the time this report was completed end of year work was being finalised on Salaries, Council Tax and Budgetary Control Year End Testing, however, sufficient reliance could be placed on testing completed for the purposes of the 2018/19 audit opinion
- 4.2. Based on the work undertaken during the year 2018/19, I have reached the opinion that reliance can be placed on the adequacy and effectiveness of internal controls operating across the Council in 2018/19. Given the constant extent of change the Council continues to face, the reduction in resources and the ever increasing diverse nature of the Internal Audit Plan this assurance opinion should be regarded as positive.
- 4.3 However, a number of audits were assessed as limited assurance over the course of the year and this reflects some weaknesses and evidence of ineffective controls. For this reason this has been raised as a significant governance issue in the 2018/19 Annual Governance Statement.
- 4.4 All of the risks raised within Internal Audit reports have been accepted. All proposed actions made by Management in response to the risk issues, have been agreed to be implemented. Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report.
- 4.5 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 2018/19.

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 PSIAS, 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 2018/19, 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 2019/20 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 PSIAS, 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 2018/19. Performance against these targets is detailed below:

Internal Audit Performance Indicators

Indicator	Target Set for 2018/19	Actual Performance 2018/19
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.	30.06.19	18.04.19

- 6.2 As per PSIAS requirements, an External Assessment of HBC Internal Audit must be completed once every five years. The PSIAS has six core standards with three hundred areas of compliance across these standards. A self-assessment was undertaken and then externally peer reviewed by Stockton and Darlington Internal Audit Service. The external assessment concluded:

“It is my opinion that the service conforms with the standards in all significant aspects and is free to state as much in all of its communications”

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;
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 2018/19

Audit	Assurance Level
St Cuthberts Primary	Satisfactory
Rossmere Primary	Limited
St Helens Primary	Satisfactory
Lynnfield Primary	Satisfactory
Golden Flatts Primary	Satisfactory
Rift House Primary	Satisfactory
Syrian Resettlement Grant	Satisfactory
Pest Control	Satisfactory
Public Health – Increasing Physical Activity	Satisfactory
Resourcelink Application	Satisfactory
General Data Protection Regulation (GDPR)	Satisfactory
Housing Management	Satisfactory
Loans and Investments	Satisfactory
Community Hubs	Satisfactory
Risk Management	Limited
Disaster Recovery/Business Continuity	Limited
Adult Education	Satisfactory
Budgetary Control	Satisfactory
Apprenticeship Levy	Satisfactory
Tees Valley Partnership	Satisfactory
Main Accounting System	Satisfactory
Social Care Financial Assessments	Satisfactory
Youth Employment Initiative – Claim 4	Satisfactory
St Hilds Secondary	Satisfactory
Creditors	Satisfactory
Debtors	Satisfactory
Fuel Management	Satisfactory
Council Tax	Satisfactory
National Non Domestic Rates	Satisfactory
Landfill/Recycling	Satisfactory
Economic Development	Satisfactory
Members Allowances	Satisfactory
Obesity Management	Satisfactory
Integra Application	Satisfactory
Salaries and Wages	Satisfactory
Iclipse Application	Satisfactory
Attendance Management	Satisfactory
New Homes Bonus	Satisfactory
Building Cleaning Contract	Satisfactory
Cemetery and Crematorium	Satisfactory
I T Strategy	Satisfactory
St John Vianney Primary School	Satisfactory
Workshops	Satisfactory
Officers Expenses	Satisfactory
Northgate Community Fund	Satisfactory
Youth Employment Initiative Quarter 1 Claim	Satisfactory

Catering	Satisfactory
Housing Benefits	Satisfactory
Local Council Tax Support Scheme	Satisfactory
Cash/Bank	Satisfactory
Centre for Independent Living	Limited
National Driver Offender Retraining Scheme	Limited
Highways	Satisfactory
Pupil Referral Unit (PRU)	Limited
Transparency Code	Satisfactory
Council Tax	Satisfactory
IT Security Management	Satisfactory
Resource Link IT System	Satisfactory
Public Interest Disclosure Act	Satisfactory
Creditors	Satisfactory
Car Parking	Limited
Controcc/Carefirst IT System	Limited
Emergency Planning	Satisfactory
Troubled Families Grant	Satisfactory
Employee Protection Register	Satisfactory
Debtors	Satisfactory
Millhouse Leisure Centre	Satisfactory
Brierton Sports Centre	Satisfactory
Headland Sports Centre	Satisfactory
Contract Audit - Framework Agreements	Satisfactory

AUDIT AND GOVERNANCE COMMITTEE

18 April 2019



Report of: Assistant Director, Finance and Customer Services

Subject: ANNUAL GOVERNANCE STATEMENT 2018/19

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 2018/19 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 2018/19 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 2019 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 2017/18 Statement

- 3.1 Progress has been made over the course of 2018/19 to actively manage and address issues identified as part of the 2017/18 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, level of performance and the continuing need to achieve housing growth.	A strategic multiyear approach to financial management is embedded with a revised savings programme for 2018/19 and 2019/20 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 2018/19 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, including the Capital Plan have been developed as two parts of a single strategy to ensure the linkages between the two are strengthened. The Council Plan 2017/18-2019/20 was agreed by Council on 16 th March 2017 and the mid-term review of the Plan was

	agreed by Finance and Policy Committee on 9 th October 2018.
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.
Ensuring adequate management arrangements for non core grant funding.	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. a) The Governance Framework covering grant claims has been strengthened. b) Development and implementation of a strategy for effective working between HBC and delivery partners with programme workshop/review held on 26.01.18. c) Ongoing engagement with funders regarding the potential extension of programme.
General Data Protection Regulation (GDPR)	From May 2018, the Council has ensured compliance with GDPR by completing information audits which identify all personal data held, including a lawful basis for processing the data. Privacy notices have been developed and are available on the Council's website. All policies and procedures have been updated to ensure GDPR compliance and staff have received specific GDPR training. The Information Governance Group meets regularly to discuss GDPR compliance.
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.

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. A fundamental review of all parts of the Constitution has been conducted with particular reference to Part 3 – delegation scheme. The outcome of the review was considered by the Constitution Committee on 4th March and then by Council on 21st March to ensure updated arrangements are in place for the commencement of the new municipal year. The review updated the report sign off arrangements for Officers ensuring that any decision report going to a policy committee is 'signed off' by the Director of Finance and Policy and the Chief Solicitor/Monitoring Officer. In addition any decision reports to be submitted to Finance and Policy Committee is required to be signed off by the Chief Executive also.

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. A corporate induction session is now in place and is held approximately every 4 weeks. This is aimed at new employees within the Authority but is also open to any existing member of staff who would benefit from a refresher. The Assistant Director for Corporate Services opens every session which ensures Chief Officer presence and support. This forms one part of a new corporate induction programme which is being developed to include a wider range of information for new employees. Departments have responsibility to provide induction training specific to their departmental needs.

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 13th December 2018 and referred to Council for approval on 21st February 2019 for the financial year 2019/20. 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. An updated Health and Safety Policy was approved by Finance and Policy Committee on 14th January 2019 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 has a three-year Council Plan that sets out the Council's ambitions for the Borough. The Council Plan 2017/18-2019/20 was agreed by Council on 16th March 2017 and the mid-term review of the Plan was agreed by Finance and Policy Committee on 9th October 2018. 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 CMT quarterly and to Finance & Policy Committee on a 6 monthly basis.

- 4.10 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.
- 4.11 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.
- 4.12 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.
- 4.13 The Council agreed the current Risk Management Framework on 5th March 2015. This has been subject to review during 2018/19 and a new Risk Management Framework is being developed and will be presented to Audit and Governance Committee and Finance and Policy Committee early in the new municipal year for agreement. The new Framework builds upon the previous one and reflects best practice. It has simplified the Council's approach, provided further clarity to officers about how risk should be considered within the Council and demonstrates the added value of appropriate risk management. A Strategic Risk Register will be identified within the performance management framework and changes reported to Elected Members regularly through the monitoring of the Council Plan.
- 4.14 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.
- 4.15 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.

- 4.16 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.
- 4.17 The Council's Performance and Risk Management system Pentana Risk holds information on the Council's risks. 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.
- 4.18 The General Data Protection Regulation (GDPR) is 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. In order to ensure compliance the Council has completed information audits identifying all personal data held, including a lawful basis for processing the data. Privacy notices have been developed and are available on the Council's website. All policies and procedures have been updated to ensure GDPR compliance and staff have received specific GDPR training. The Information Governance Group meets regularly to discuss GDPR compliance.
- 4.19 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.
- 4.20 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.
- 4.21 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.

- 4.22 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.
- 4.23 In order to demonstrate our compliance with the above requirements, we have produced a Workforce Equality Information Report 2017/18 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 mid-term review on 9th October 2018.
- 4.24 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.
- 4.25 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. Internal Audit have undergone an external inspection carried out By Stockton Borough Council and are now fully compliant with Public Sector Internal Audit Standards (PSIAS) and can report as such on all correspondence.
- 4.26 Other review bodies external to the Council also make regular reports on efficiency, effectiveness and compliance with regulations. Ofsted has rated the overall effectiveness of the Council's Children's Services as 'Good'. The most recent ILACS inspection which took place in July 2018 rated Hartlepool CS as 'good' overall and 'outstanding' in the experiences and progress of children in care and care leavers. 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. A review of progress in January 2019 reported that the direction of travel continued to be positive with services better integrated and new pathways developed. Commissioned services for adults with care and support needs are predominantly rated 'good' by CQC (82%) 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 2017/18 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 has reviewed its procedures in line with PSIAS and is fully compliant.
 - 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 2019/20 MTFS includes savings proposals and other measures, including the use of reserves which enabled the 2019/20 budget to be set. The report also highlighted the significant deficit facing the Council for 2020/21, which makes this the most challenging financial year the Council has ever faced. Detailed proposals for addressing the 2020/21 deficit will be developed during 2019/20. This strategy will be supported using reserves earmarked for invest to save projects, or saving taking more than one year to implement. A refresh of the Council Plan has been undertaken in 2019, taking into account the impact of the financial challenges facing the Council. Performance is reported to CMT quarterly and to Finance and Policy Committee bi-annually.	2018/19 – 2020/21	CMT
2	Managing corporate risk areas.	Assistant Director liaison ensures actions are implemented for all risks identified as part of the audit process. Follow up processes ensure that for all risk identified mitigating actions are embedded in a timely manner.	2019/20	CMT

3	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.	2019/20	CMT
4	Boundary Review Impact	CMT sighted on the outcome of the review, which will increase number of councillors to 36 and require all out election in May 2020. The changes increase political risks. This will be addressed through member training on key corporate issues and regular update reports will be provided to committees.	2019/20	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?**