PLEASE NOTE VENUE

AUDIT COMMITTEE AGENDA

HARTLEPOOL
BOROUGH COUNCIL

Thursday 4th January 2007

at 10.00am

in Training Room 4, Municipal Buildings, Church Square, Hartlepool

MEMBERS: AUDIT COMMITTEE:

Councillors: Hall, Preece, Turner, Wallace and Wistow

1. **APOLOGIES FOR ABSENCE**

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

3. **MINUTES**

   3.1   To confirm the minutes of the meeting held on 5th October 2006 *(attached)*

4. **ITEMS FOR DISCUSSION/DECISION**

   4.1   Audit Commission Reports – Data Quality and Your Business at Risk – *Chief Financial Officer*

   4.2   Internal Audit Plan 2006/07 Update – *Head of Audit and Governance*

   4.3   Internal Audit Plan 2007/08 – *Head of Audit and Governance*

   4.4   Review of Financial Procedure Rules- *Chief Financial Officer*

5. **ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT**

AUDIT COMMITTEE

MINUTES AND DECISION RECORD

5ᵗʰ October 2006

Present:

Councillor   Gerard Hall (In the Chair)
Councillors   Preece and Turner

Officers: Chris Little, Assistant Chief Financial Officer (Corporate Finance)
              Noel Adamson, Head of Audit and Governance
              Denise Wimpenny, Principal Democratic Services Officer
              Pat Watson, Democratic Services Officer

              Caroline Tyrrel from the Audit Commission was also in
              attendance to speak on minute 9.

6.   Apologies for Absence

Apologies for absence were submitted from Councillors Wallace and
Wistow.

7.   Declarations of interest by members

None.

8.   Confirmation of the minutes of the meeting held on 6ᵗʰ July 2006.

The minutes were confirmed.

A Table relating to the VAT analytical review was circulated following
discussion under minute No 5 at the last meeting. The Chairman pointed
out that he was happy with the explanations provided in relation to VAT
payments and reclaims within the authority.

9.   District Auditor's 2005/06 Annual Governance Report *(Chief Financial Officer)*

Purpose of report

To present the 2005/06 District Auditor's Annual Governance Report.

Issue(s) considered by the Committee

The Committee were advised that, in accordance with the Audit Commission's Statutory Code of Audit Practice for Local Government bodies, the District Auditor is required to report the conclusion of their audit work in an Annual Governance Report. The principal purposes of the Annual Governance Report were outlined in the report.

The District Auditor had issued the Annual Governance Report on 15th September 2006 and was submitted consideration and was circulated as appendix B to the report to this Committee. The Annual Governance Report was submitted to the General Purposes Committee on 29th September 2006 to enable them to consider the District Auditor's findings before they approve the final 2005/2006 Statement of Accounts before 30th September statutory deadline. The Assistant Chief Financial Officer advised verbally that General Purposes Committee had resolved not to change the Council's provision of the estimated Equal Pay liability of £½m.

The key issues raised in the District Auditor's report were set out in the report under the following headings:

Page, 8 Paragraph 15 – Uncorrected Mis-statements;
Page 9, Table 2 – Adjusted Mis-statements;
Page 13, Paragraph 24 – Value for Money Conclusion;
Page 15, Paragraph 2 – Use of Auditor's Statutory Powers

Caroline Tyrrell, District Auditor, explained the Audit Commission's requirement for the Annual Governance Report being in its present format. She commented that in accordance with Accounting regulations, which govern reporting requirements at 31st March 2006, it was the Audit Commission's opinion that the Council did not need to make provision for the estimated Equal Pay liability of £0.5m falling due in 2007/08. However, she recognised the Council's reasons for making this provision and whilst she is required to formally report this issue this does not affect the overall audit opinion. All other minor errors had been amended satisfactorily and the accounts presented fairly. Caroline accepted the process and the decision of General Purposes Committee and thanked members of this Committee for the opportunity to speak to them.

Decision

Members noted the report and thanked the District Auditor for her contribution.

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

Purpose of report

To inform Members of the progress made to date completing the internal audit plan for 2006/2007.

Issue(s) consideration by the Committee

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

Appendix A of the report detailed the pieces of work that had been completed. As well as completing the afore mentioned audits, Internal Audit staff have been involved with the following working groups:

- ISO 17799 Group.
- Procurement Working Group.
- Risk Management Group
- Statement on Internal Control

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

Appendix B detailed the audits that were ongoing at the time of compiling the report.

In relation to Audit Plan progress – Members were advised that the work completed and currently ongoing was in line with expectations at this time of year, and audit coverage to date had allowed the Audit Commission to place reliance on the scope and quality of work completed when meeting their requirements under the Audit Code of Practice.

Decision

Members noted the contents of the report.

11. Review of Financial Procedure Rules (*Chief Financial Officer*)

Purpose of report

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

Issue(s) considered by the Committee

Members were advised that the Council needs to have suitably robust financial arrangements in place both corporately and at a department level to demonstrate appropriate control procedures exist to manage services and risks, with the FPRs providing this framework.

The report indicated that as part of the evidence gathering process for the 2005/06 SIC, it had been felt that in order to maintain the highest levels of financial probity and best practice the current FPRs would need to be updated. There were also new initiatives and challenges that face the Council, such as partnership working and the arrangements for dealing with grant income, that now need to be included.

Timetable for Review - In order to complete the review it was proposed to breakdown FPRs into three discrete areas,

- Existing FPRs internal to Central Finance which will be reviewed accordingly,
- Capital Planning, which will need co-ordinating between Central Finance and Procurement and Property Services,
- Financial Administration, which will include virements, grants and partnership arrangements, to be considered by CMT.

Given the necessity to ensure demonstrable continuous improvement in line with CPA requirements and internal control improvements as detailed in the SIC, it was planned that the review would take no longer than six months to complete. The need to undertake the review and the process to be followed had previously been agreed by CMT.

Decision

Members noted the report and endorsed the review and the process to be followed.

12. Statement of Internal Control Update (*Chief Financial Officer*)

Purpose of report

To inform Members of the proposed process to complete the Statement of Internal Control (SIC) for 2006/2007.

Issue(s) considered by the Committee

The Committee were advised that Regulation 4 of the Accounts and Audit Regs 2003 states **"**The relevant body shall **review** at least once a year the effectiveness of its system of internal control and shall include a Statement on Internal Control, prepared in accordance with proper practices**"** in its

financial statements.

Members were reminded that in order to comply with the Act, the Audit Committee had reviewed the SIC at its meeting of the 22nd May 2006. A thorough review took place at that meeting, and the SIC was agreed and was reported to the General Purposes Committee as part of the Council's Financial Statements.

In respect of the 2006/07 SIC, in order to build on the experience of compiling the 2005/06 SIC, officers had met to consider how lessons could be learnt and the whole process taken forward. The process of Departments recording and evidencing the controls they have in place to mitigate risks was carried out as a separate exercise in 2005/06. The sum of this information was then used to compile the SIC. In order to ensure that the correct information is provided at the right time and in the right format, it had been decided to try to integrate the process of mapping service objectives to risks and identifying the controls in operation. This would link together as one exercise, business planning, risk and control identification, thus minimising the administrative burden placed on Departments.

A major exercise to map objectives and risks had been undertaken in the Children's Services Department and this would be examined and used as a template for the process to be followed.

A report of the detailed timetable to be followed would be submitted to Corporate Management Team in November in order to explain the process. In order to raise awareness corporately, guidance and support on the process would also be offered to Departmental Management Teams. As the Audit Committee has a pivotal role to play in reviewing the SIC when complete, any guidance and support needed to enhance this role would also be provided at future meetings of the Committee.

The purpose of the review was to build upon the processes put in place in 2005/06 and ensure that the completion of the SIC continues to be a meaningful exercise that ensures good governance arrangements are in operation across the authority.

The Committee recognised that the remit had widened, the process had been a challenge for Officers of the Authority and they had managed it well.

Decision

Members noted and endorsed the current and future process for completion of the SIC.

G HALL

CHAIRMAN

AUDIT COMMITTEE

4th January 2007

Report of: Chief Financial Officer

Subject: AUDIT COMMISSION REPORTS - DATA
                      QUALITY AND YOUR BUSINESS AT RISK

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1.   PURPOSE OF REPORT

1.1   To inform Members of the Audit Committee that arrangements have
        been made for a representative from the Audit Commission to be in
        attendance at this meeting, to present the results of the Audit
        Commissions work on data quality and business risk.

2.   BACKGROUND

2.1   The Audit Commission have, this year, introduced an audit of data
        quality. This is a new development for the Audit Commission but
        data quality, due to its importance in demonstrating and measuring
        success, has always be integrated into the planning and performance
        managements arrangements for the Council. The Your Business at
        Risk report is different from normal Audit Commission reports as it is
        a summary of a survey for information so there is no formal action
        plan.

3.   FINDINGS OF THE AUDIT COMMISSION

3.1   Attached, as Appendix 1, is the Audit Commission report on data
        quality. The findings of this are covered on page 6 of the attached
        report.

3.2   In summary the findings are; that management arrangements, with
        identified roles and responsibilities and systems are in place;
        operational guidance is in place, updated and communicated; there is
        some inconsistency in approach between departments; there is no
        stated data quality policy.

3.3   Attached as Appendix 2, is the Your Business At Risk report with no
        formal action plan.

4.   COUNCIL RESPONSE

4.1   The Audit Commission report on data quality identifies one recommendation that we will implement in a manner which is consistent with our overall approach, which is to ensure that our data is accurate.

4.2   It is worthwhile bearing in mind that whilst there are developments identified in the report from the Audit Commission that as an authority our Best Value Performance Plan (Corporate Plan) has never been qualified and whilst there are developments required each year (both in terms of definitions of performance measures and additional mandatory measures) that these are incorporated smoothly and effectively.

4.3   A report dealing with this matter and actions to address the recommendations of the Audit Commission will be submitted to the Portfolio Holder for Performance Management.

5.0   RECOMMENDATIONS

5.1   That the Audit Committee:

   i.   note the reports of the Audit Commission
   ii.   note that there will be a report to the Performance Management Portfolio holder to address the identified recommendation in the Data Quality report.

Audit Summary Report

November 2006

audit
commission

Data Quality

Hartlepool Borough Council

Audit 2006/2007

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

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

- auditors are appointed independently from the bodies being audited;

- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and

- auditors may report aspects of their work widely to the public and other key stakeholders.

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

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

Status of our reports to the Council

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

- any member or officer in their individual capacity; or

- any third party.

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Contents

Summary report

Introduction

1   Good quality data is the essential ingredient for reliable performance and financial information used to support decision making. The data used to report on performance must be fit for purpose, representing an organisation's activity in an accurate and timely manner. At the same time there must be a balance between the use and importance of the information, and the cost of collecting the required data to the necessary level of accuracy.

2   The purpose of this report is to provide feedback following our assessment of Hartlepool Borough Council's (the Council) corporate management arrangements for data quality.

3   The results of this work will contribute to our conclusion under the Code of Audit Practice on the Council's arrangements to secure value for money. The work relates specifically to the arrangements for 'monitoring and reviewing performance, including arrangements to ensure data quality'.

Background

4   This review represents a significant change in our approach to the audit of performance information. There are a number of underlying reasons for this change, as follows.

- Increasing reliance is being placed on performance information, eg to manage services, inform users, account for performance, and as a basis of taking decisions. The weight attached to published performance indicators as the basis for reducing the burden of regulation has increased and the need for reliable data has therefore become more critical. There remains however a prevailing lack of confidence in much performance data.

- The quality of financial information is higher than for performance information. Finance data is collected according to professional accounting rules, and subjected to strong internal controls and a formal audit regime. Conversely the internal controls for recording and preparation of the underlying performance data are often less developed.

- There is often less ownership of performance information by those charged with governance.

Audit approach

5   Our review of management arrangements for data quality has three stages:

- Stage 1 Management arrangements;
    - review of overall management arrangements to secure data quality.
- Stage 2 Completeness check;
    - arithmetic check (variance, plausibility and range) of calculations for a sample of BVPIs; and
    - the timing, number and extent of these checks will be determined nationally by the Audit Commission following their review of the data.
- Stage 3 Data quality spot checks; and
    - In-depth review of a sample of performance indicators.

Main conclusions

6   The Council has overall arrangements in place to ensure data quality, particularly in respect of BVPIs but there is a need to formalise arrangements.

7   Our detailed data quality checks have found that the processes in place to secure good data quality for the PIs we reviewed are generally effective.

The way forward

8   The issues raised within this report will be discussed with officers to provide them with timely feedback and to assist them in formulating an action plan to further improve data quality arrangements in future years.

Detailed report

Stage 1 - Reviewing management arrangements for data quality

Key questions

9   Stage one of the approach is the review of management arrangements. The review considered five areas, as follows.

- **Governance and leadership:** is there a corporate framework of management and accountability for data quality, with a commitment to securing a culture of data quality throughout the Council?

- **Policies and procedures:** are there appropriate policies and procedures in place to secure the quality of data recorded and reported by the Council?

- **Systems and processes:** has the Council put in place systems and processes which secure the quality of data as part of the normal business activity of the Council?

- **People and skills:** has the Council put in place arrangements to ensure that staff have the appropriate knowledge, competencies and capacity for their roles in relation to data quality?

- **Data use:** has the Council put in place arrangements that are focused on ensuring that data supporting performance information is also used to manage and improve the delivery of services?

Findings

10   Management arrangements are in place to secure the quality of data supporting performance information at a corporate level. This is achieved through the definition of key roles and responsibilities at a corporate and departmental level and the establishment of systems and processes to produce required outcomes.

11   Operational guidance, in place to support performance information, is updated on a regular basis and communicated to responsible officers in an effective manner. Performance data is sourced mainly from operational systems which provide a sound basis for good quality data.

12   The requirement for good data quality is embedded within established procedures at an operational and corporate level and as such is not explicitly stated. However, there is no data quality policy and there is little or no specific reference to data quality in any corporate documents. The lack of a corporate framework for data quality has led to some inconsistency of approach across the various departments. There are examples of very good practice (Children's Services) where data quality standards are clearly stated and enforced. In some other areas of the Council the approach is not so robust.

Recommendation

R1   *The Council needs to ensure that minimum data quality standards are in place and consistently applied in all areas. This needs to incorporate:*
 	
   • *specifically stated data quality responsibilities at member, senior officer and operational level; and*
 	
   • *defined data quality objectives and monitoring processes to be applied consistently across all departments.*

Stage 2 - Completeness check

13   This stage was completed in two parts. The Audit Commission centrally specified a number of PIs, which are shown in Appendix 1.

14   The first part of the work undertaken included local auditor's carrying out checks on the specified PIs. This included:

- a variance analysis against previous years' data; and
- review of the data and comparison against our audit knowledge.

15   The second part of the work undertaken at this stage was the Audit Commission's central PI team carrying out completeness checks on all of the BVPI data not reviewed by the local auditors. This included the following.

- a variance analysis against;
  - previous years' data held on EDC (where available);
  - the authority's peer group;
- plausibility checks on the submitted data; and
- a range analysis.

16   The Audit Commission will centrally raise and follow up any queries arising from their own checks.

17   We undertook the work to be carried out locally and fed the results into our selection of PIs for detailed data quality checks at stage three.

Hartlepool Borough Council

Stage 3 - Data quality checks

18 Stage 3 of the approach involved reviewing a number of PIs in detail. They were selected from the list of PIs specified by the Audit Commission, as shown in Appendix 1, based on a risk assessment and the local work we undertook at stage two.

19 The objectives of testing a particular PI are to determine whether it has been fairly stated in accordance with the Audit Commission's criteria. That the:

- source data has been assessed against the six data quality dimensions as shown in Appendix 2 (completeness, accuracy, reliability, validity, relevance and timeliness) as applicable;

- source data is correctly represented in the PI;

- correct definition has been used; and

- correct calculation method has been used.

20 The outcome of our work at stage three is summarised in Appendix 1. Overall, our findings at stage three supported our findings and conclusions at stage one of the work that the processes in place for the PIs reviewed are generally effective.

Appendix 1 - Data quality checks

Table 1   Specified PIs and work undertaken at stage 3

The table shows the PIs specified centrally by the Audit Commission for stage 2 completeness testing by local auditors, and also the outcome of our work at stage 3.

PIs specified by the Audit Commission centrally for local completeness checks at stage 2	Work at stage 3 undertaken on this PI?	Outcome of work at stage 3
BVPI 109 a/b/c: Speed of processing planning applications	Yes	We did not identify any data quality issues in our audit of this PI.
BVPI 215: Speed in fixing traffic lights	No	~
BVPI 165: Pedestrian crossings suitable for the disabled	Yes	We did not identify any data quality issues in our audit of this PI.
BVPI 102: Bus patronage	No	~
BVPI 82 a/b: Recycling/composting of waste	Yes	We did not identify any data quality issues in our audit of this PI.
BVPI 184a: Non decent homes	No	~
BVPI 183 a/b: Use of B&B/Hostel accommodation	Yes	We did not identify any data quality issues in our audit of this PI.
PLS: Library satisfaction users 16 and over	No	~
PLS: Library stock turn	No	~
PLS: Library stock level	Yes	Our work identified that the definition had not been followed in the calculation of this PI. The incorrect cell on the CIPFA return was used in part of the PI calculation meaning that the PI reported was misstated. Officers agreed and the PI was amended.

Hartlepool Borough Council

PIs specified by the Audit Commission centrally for local completeness checks at stage 2	Work at stage 3 undertaken on this PI?	Outcome of work at stage 3
IPF: Cost per library visit	No	~
HIP BPSA: Average re-let times	No, the Council is not required to calculate this PI.	~
HIP BPSA: Planned to responsive repairs	No, the Council is not required to calculate this PI.	~
KP12: Service users moved on in a planned way	No	~
HIP HSSA: Private sector homes vacant for more than 6 months	No	~
HIP HSSA: Repeat homelessness	Yes	Our work included agreeing the data underpinning the calculation of this PI to the Council's P1E returns. This found that the P1E returns had been superseded by more accurate data and as such the P1E returns submitted to the government department are now not accurate. As such the data submitted should be revised.
HIP HSSA: Private sector unfit properties made fit	No	~

Hartlepool Borough Council

Appendix 2 - Dimensions of good quality data

There are six dimensions of good quality data that is fit for purpose (Table 2). These dimensions can be used by public bodies and their partners to assess the quality of their data and address potential weaknesses.

Table 2   Dimensions of data quality

There are six key characteristics of good quality data

Dimension	
Accuracy	Data should be sufficiently accurate to present a fair picture of performance and enable informed decision-making at all appropriate levels. The need for accuracy must be balanced with the costs and effort of collection. A prerequisite is that definitions for data should be specific and unambiguous. The data must be at an appropriate level of detail to influence related management decisions, and must be within a reasonable margin of error.
Validity	Data should represent clearly and appropriately the intended result. Where proxy data is used, bodies must consider how well this data measures the intended result.
Reliability	Data should reflect stable and consistent data collection processes and analysis methods across collection points and over time, whether using manual or computer based systems or a combination. Managers and stakeholders should be confident that progress toward performance targets reflects real changes rather than variations in data collection methods.
Timeliness	Data must be available for the intended use within a reasonable time period. Data must be available frequently enough to influence the appropriate level of management decisions: for example, it may be appropriate to accept a small degree of inaccuracy where timeliness is important.
Relevance	The data reported should comprise the specific items of interest only. Sometimes definitions for data need to be modified to reflect changing circumstances in services and practices, to ensure that only relevant data of value to users is collected, analysed and used.
Completeness	All the relevant data should be recorded. Monitoring missing or invalid fields in a database can provide an indication of data quality and can also point to problems in the recoding of certain data items.

Source: Audit Commission

Hartlepool Borough Council

Appendix 3 - Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 The Council needs to ensure that minimum data quality standards are in place and consistently applied in all areas. This needs to incorporate: • specifically stated data quality responsibilities at member, senior officer and operational level; and • defined data quality objectives and monitoring processes to be applied consistently across all departments.	2	Assistant Chief Executive	Y		31 January 2007

Hartlepool Borough Council

Performance Summary Report

August 2006

audit
commission

Your Business @ Risk Survey

Hartlepool Borough Council

Audit 2006-2007

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Hartlepool Borough Council

Introduction

1 The growth of the e-agenda, the anticipated increase in the use of new technologies, greater public access and more joined up working also means increased risks for public sector bodies. Computer viruses, IT fraud, hacking, invasion of privacy and downloading of unsuitable material from the internet remain real threats to many organisations. Confidence in technologies that are influencing the way we live and work is being eroded and organisations must address these issues if the increased use of new technology is not to be matched by a similar increase in IT abuse.

2 An Audit Commission's report, published in 2005, concluded that although organisations have got better at establishing anti-fraud frameworks, cultures and strategies, failures in basic controls are still a problem and the upsurge in the use of newer technologies has not been matched by enhanced security measures.

3 The Audit Commission has developed an online survey, designed to help organisations to:

- raise awareness of the risks associated with their increasing use of technology;

- gauge the level of knowledge within their organisations of such risks;

- highlight areas where risks are greatest; and

- take positive action to reduce risks.

4 In partnership with Hartlepool BC, we ran the online survey in late July 2006. This brief report summarises the responses by staff at Hartlepool (see Appendix 1) and indicates where further action is necessary.

Main conclusions

5 Our conclusions are based upon responses from around 350 staff at Hartlepool BC. Overall results are very positive. In many of the areas covered by our survey, there appears to be a high level of understanding by IT users of IT risks and security.

6 In most areas, the council scores highly and better than the national average - as indicated by the Commission's national database which currently contains almost 15,000 responses from around 80 public sector organisations. The key message from the survey is that, systems, policies and procedures appear to be in place to minimise IT risks.

7 Key messages are also shown below (see Table 1) together with those areas where Hartlepool might improve its current arrangements. These have been discussed and agreed with officers.

Hartlepool Borough Council

Table 1 Key messages

A brief summary of responses to our survey.

Positive messages	Areas requiring attention	Suggested action
Business disruption risk		
Most users (92 per cent) think that the council takes the threat of virus infection very seriously. Virus protection software is installed on machines and regularly updated. Procedures for reporting virus infections are clear and only 3 per cent (nationally 13 per cent) claim to have suffered a virus infection on their machine.	Virus protection software is updated automatically when staff log on. Fewer staff are aware of this process. An ICT Noticeboard on the council's intranet has been used in the past to alert staff when new viruses are discovered but 40 per cent of staff are unaware of this.	Inform staff.
Password use and maintenance follows best practice. Individual machines and the council's network require the use of username and password for access. Password changes are enforced.	None.	

Positive messages	Areas requiring attention	Suggested action
Financial loss risk		
A high percentage (80 per cent) claim they have access to the information they need to do their job (national average 78 per cent). The council has been clear in telling staff what rules exist regarding private use of IT facilities – 96 per cent say they have been informed (national average 88 per cent). Staff are prevented form copying software from and to their machines.	Over half of respondents are not aware of the existence or content of the council's anti-fraud strategy. A small minority (3 per cent) of users are allowed – they claim – to copy software onto or from their machines.	Inform staff. Check this out.
Reputational damage risk		
A very high proportion of IT users: • know that their internet activity is monitored; • know that the downloading of unsuitable material and misuse of personal data is a disciplinary matter; • have access to internet and email usage protocols; and • know that the use of unlicensed software is prohibited.	Over half of respondents are not aware of the procedures that prevent very large files and executable programs from reaching them through email or how these files may be released. Over half of respondents do not know that HBC has a data protection officer. Levels of awareness of information related legislation vary.	Review quarantine processes and inform staff. Inform staff. Review whether staff training programmes provide appropriate coverage.

Hartlepool Borough Council

Positive messages	Areas requiring attention	Suggested action
Loss of user confidence risk		
An Information Security Policy is available on the council's intranet.	Only half of respondents are aware of the existence of an information security policy and their responsibilities.	Improve communication.

Source: Audit Commission

Appendix 1 – Detailed survey results

Table 2   Which Department do you work in? (only complete if agreed by your Authority/Trust)

Department name	Percentage (%)
Department 1	32%
Department 2	18%
Department 3	0%
Department 4	19%
Department 5	16%
Department 6	2%
Department 7	12%
Department 8	0%
Department 9	1%

Hartlepool Borough Council

Table 3   The risk of business disruption

Statement	Yes (%)	No (%)	Don't know (%)	Not Applicable (%)
My organisation takes the threat of a virus infection very seriously.	92%	0%	8%	0%
Virus protection software is installed on my machine.	91%	0%	8%	0%
Virus protection software is regularly updated on my machine.	40%	3%	57%	0%
I have been given clear instructions about dealing with emailed files from external sources.	77%	14%	9%	0%
I am sent an alert when new viruses are discovered and am told what to do and what not to do.	57%	23%	17%	2%
I know how to report a virus infection if I suffer an infection on my machine.	78%	16%	6%	0%
I have suffered a virus infection on my machine.	3%	91%	5%	1%
Whenever I have suffered a virus infection, my machine was cleansed and restored quickly.	4%	1%	7%	88%
To log on to my machine I must enter a user name and password.	99%	0%	0%	0%
To log on to my organisation's network I must enter a user name and password.	94%	4%	1%	0%
I am forced to change my password by the system on a regular basis, for example, every month.	99%	1%	0%	0%
To access the computers and systems I use to do my job I must remember more than two passwords.	86%	13%	0%	0%
I have not written my password(s) down.	75%	25%	0%	0%
I am not authorised to enter our computer rooms.	34%	15%	37%	14%

Hartlepool Borough Council

Table 4   The risk of financial loss

Statement	Yes (%)	No (%)	Don't know (%)	Not Applicable (%)
My organisation has an anti-fraud strategy.	40%	0%	59%	0%
I know what the key elements of the strategy are.	18%	31%	44%	7%
I only have access to the information I need to do my job.	80%	11%	8%	1%
I am prevented from installing any software on my machine.	84%	3%	12%	0%
I am prevented from copying software from my machine.	72%	3%	25%	0%
My computer is clearly security-marked.	83%	6%	11%	0%
I know what are my organisation's rules are covering private use of IT facilities and in particular what is and what isn't acceptable.	96%	1%	2%	1%

Table 5   The risk of reputational damage

Statement	Yes (%)	No (%)	Don't know (%)	Not Applicable (%)
I am allowed access to the internet only by connections provided by my organisation.	91%	5%	4%	0%
I have been informed that my access to the internet will be monitored.	91%	5%	3%	0%
It has been made clear to me that my organisation's policy is that accessing or storing unsuitable material is a disciplinary matter.	99%	1%	0%	0%
Emails sent to me from outside my organisation that contain very large files or executable programs etc are prevented from reaching me.	39%	10%	50%	1%
I have access to written protocols covering email usage and language.	87%	4%	9%	0%
I have been informed by my organisation that the use of unlicensed software is prohibited.	86%	7%	6%	0%
I am prevented from installing software on my machine.	83%	3%	14%	1%
Internal Auditors or IT staff in my organisation have checked the software on my machine.	50%	4%	46%	1%
My organisation has a documented data protection policy.	85%	0%	15%	0%
My organisation has appointed a data protection officer.	51%	1%	49%	0%
I have been required to sign a confidentiality undertaking as part of my conditions of service.	59%	23%	18%	1%
My responsibilities under the Data Protection Act have been explained to me.	76%	16%	7%	0%

Statement	Yes (%)	No (%)	Don't know (%)	Not Applicable (%)
I have been informed that the misuse of personal data will be treated as a disciplinary offence by my organisation.	87%	6%	6%	1%
My PC is automatically timed out after a short period of inactivity and my password and user name must be entered to resume the session.	97%	3%	0%	0%

Table 6   I am aware of the implications of the following legislation

Legislation	Percentage (%)
The Computer Misuse Act	40%
The Freedom of Information Act	90%
The Human Rights Act	67%
The Public Interest Disclosure Act	29%
The Data Protection Act	93%

Table 7   Loss of public or user confidence

Statement	Yes (%)	No (%)	Don't know (%)	Not Applicable (%)
My organisation has an Information Security policy.	64%	0%	36%	0%
I have been provided with a copy of the policy.	39%	31%	26%	4%
I have been informed about the policy and what I must and must not do.	50%	26%	21%	4%
Senior management in my organisation is committed to the policy and its observance.	49%	1%	48%	1%
I know where to find written procedures for reporting a security incident.	47%	31%	22%	0%
Someone in my organisation is specifically responsible for IT security.	63%	1%	35%	0%

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AUDIT COMMITTEE

4th January 2007

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Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2006/07 UPDATE

1.   PURPOSE OF REPORT

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

2.   SUMMARY OF CONTENTS

At the Audit Committee meeting of 25.10.05 it was agreed that the Head of Audit and Governance would update the Committee on a quarterly basis as to the progress made against the audit plan. This allows members of the Committee to form an opinion as to the robustness of the system of controls in place at the Council and thus fulfil part of the Committee's remit.

3.   RELEVANCE TO PORTFOLIO MEMBER

N/A

4.   TYPE OF DECISION

Non-key decision.

5.   DECISION MAKING ROUTE

Audit Committee tasked with considering adequacy of audit coverage.

6.   DECISION(S) REQUIRED

Members note the contents of this Report.

Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2006/07 UPDATE

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1.   **PURPOSE OF REPORT**

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

2.   **BACKGROUND**

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

3.   **AUDITS COMPLETED AND IN PROGRESS**

3.1   Appendix A of the report details the pieces of work that have been
      completed.

3.2   As well as completing the afore mentioned audits, Internal Audit staff
      have been involved with the following working groups:

      - ISO 17799 Group.
      - Procurement Working Group.
      - Risk Management Group
      - Statement on Internal Control

      In order to comply with the requirement that all secondary schools meet
      the relevant criteria as outlined in the Financial Management Standard
      in Schools (FMSiS) award, Internal Audit have also been providing
      support and advice to the schools based on the audits that have
      previously been carried out in the secondary schools.

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

4   AUDIT PLAN PROGRESS

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

5   <u>RECOMMENDATION</u>

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

Appendix A

Audit	Objectives	Recommendations	Agreed
Data Protection Act	Implemented policies and procedures are compliant with current legislation and CIPFA guidance. Original policies and procedures have been amended as necessary to ensure they are up to date. Amendments made to either policy have been cascaded throughout the necessary departments. Employees of the Council are aware of their own responsibilities and liabilities defined by the Act.	- The collection and storage of the completed forms of undertaking should be the sole responsibility of the Human Resources Department. Necessary arrangements should be made for this task to be transferred from Legal. - Checks are performed within all departments to ensure the Clear Desk Policy is being observed on a regular basis.	Y Y
Education Development Centre	Ensure that data is securely held and procedure/guidance notes are held. That room lettings are effectively and efficiently managed. Ensure that goods and services are ordered and invoices processed in line with Financial Procedure Rules.	- A new inventory to be drawn up detailing all items and not room specific. - That all bookings are charged for, where appropriate. - When a cancellation is made on the day of the booking the full charge should be made. - Delivery notes or Goods Received notes to be marked to show that the order has been checked.	Y Y Y Y
Freedom of Information Act	Implemented policies and procedures are compliant with current legislation and CIPFA guidance. Original policies and procedures have been amended as necessary to ensure they are up to date. Amendments made to either policy have been cascaded throughout the necessary departments. Employees of the Council are aware of their own responsibilities and liabilities defined by the Act.	- Greater care should be taken when completing and maintaining the Requests Register. To ensure all details are appropriately completed and all information is held to support the entries. - All library staff within the Authority are made aware of the existence of the Publication Scheme and the documents which are free to members of the Public for printing purposes. Printing structures are amended to reflect the free printing. - It was noted that a copy of the Publication Scheme is not available on the council's intranet for use by all employees. The scheme should be published on the Intranet to enable members of staff to deal with general enquiries.	Y Y Y
Community Grants	Grants are awarded in accordance with current legislation and Council Policies. Adequate records are maintained in support of grants claimed and paid.	None	
Brierton Secondary	Ensure school financial and governance arrangements are in line with best practice	- School Development Plan to include 3 year budget forecast, predicted pupil numbers, staff levels and the associated income/costs. - Budget cost centre thresholds should be set at 80% to provide an early warning of potential budget overspends. - All staff with access to computers	Y Y Y

		and/or the Internet should complete and sign a HBC Data Protection Form of Undertaking covering the Internet & Email Policy.	
		- Daily backups should be held securely on the school site, in a fireproof location, away from the main server. A suitable fireproof location should be found.	Y
		- The Bank Mandate for the Enterprise Fund should be updated, i.e. the previous Headteacher removed.	Y
		- Enterprise Fund accounts should be subject to an annual, independent audit and the financial statements presented to the Governing Body and parents.	Y
		- The "Staff Fund" currently part of the Enterprise Fund should be a separate account, as the account is not used for the benefit of the pupils.	Y
		- 4 missing FM5 forms identified and discussed during the audit to be obtained. Kitchen records and SIMS to be reconciled as necessary.	Y
		- Receipts should be obtained for all petty cash expenditure.	Y
		- Income should be banked promptly and on a regular basis, ideally weekly.	Y
		- The Bank Mandate for the Co-operative bank account should be updated, i.e. the previous Headteacher removed.	Y
		- Bank reconciliation to SIMS should be brought up to date once the missing bank statement has been obtained.	Y
		- Non-order invoices should be kept to a minimum. All orders should be correctly authorised and committed to SIMS so that it features in subsequent budget monitoring. Consideration should be given to implementing a formal staff policy so that all staff are aware of the correct ordering procedures to follow.	Y
		- A school inventory should be drawn up for items over £500 in value.	Y
Public Interest Disclosure Act	Implemented policies and procedures are compliant with current legislation and CIPFA guidance. Original policies and procedures have been amended as necessary to ensure they are up to date. Amendments made to either policy have been cascaded throughout the necessary departments. Employees of the Council are aware of their own responsibilities and liabilities defined by the Act.	None	
Registrars	Ensure that documentary evidence of births, deaths and marriages for official and other purposes are	- The cashbook must be checked to ensure that it agrees to the form of account. Extra care to be taken when	Y

	appropriately recorded and securely stored. Complete, accurate and reliable evidence of all certificates issued is retained and any financial documents are compliant with legislation and regulations. Ensure that income and cash floats are securely held and regularly banked, recorded and reconciled. Confirm that any expenditure from the Registrars accounts is in accordance with the Councils Financial & Contract Procedure Rules.	transferring figures from the cashbook. - The stamp book should be adjusted to reflect the difference and all staff reminded of the need to complete the stamp book at all times.	Y
Proceeds of Crime Act	Implemented policies and procedures are compliant with current legislation and CIPFA guidance. Original policies and procedures have been amended as necessary to ensure they are up to date. Amendments made to either policy have been cascaded throughout the necessary departments. Employees of the Council are aware of their own responsibilities and liabilities defined by the Act.	- A briefing is distributed to all members of staff within the cash office to advise of the existence of the procedure. The briefing should include a signatory section for staff to sign to verify they have read and understood the policy. - Whilst the policy adopted by the Authority is compliant with current legislation, the guidance issued by CIPFA contains additional information that should be included in the Council's procedure to further inform and deter employees.	Y Y
Abandoned Vehicles	That procedures in place for administering the abandoned vehicles function are operating effectively and efficiently, statutory guidelines and Contract and Financial Procedure Rules are adhered to and data and cash are securely held.	- Procedure notes should be updated to reflect that there is no longer a requirement to affix a 24-hour notice to an abandoned vehicle before it can be removed.	Y
St Josephs Primary	Ensure school financial and governance arrangements are in line with best practice	- Indications of how higher/lower levels of funding would be dealt with to be included. Predicted number of children to be included in future reports to parents. - SIMS is to be brought up to date with Prolog. - Breakfast club records should be updated to show the weekly amounts received and to ease reconciliation.	Y Y Y
Members Allowances	Ensure that Members are paid the correct level of allowance and reimbursed for any approved expenditure, payments made are in accordance with Council Policy and Procedure Rules, all payments made are adequately recorded and monitored, the scheme is administered effectively and efficiently and all payments have been adequately supported and payments are in line with current rates.	- All claims must state the cc of the vehicle used to ensure the correct amount is claimed. - Claims should be submitted on a regular basis	Y Y

Elwick Primary School	Ensure school financial and governance arrangements are in line with best practice	- A medium term budget should be developed for 3 future years showing the effect of higher / lower levels of funding, predicted pupil numbers etc.	Y
		- Reserves exceeding recommended guidelines should be earmarked for specific developments and declared to the LEA by no later than 26th May.	Y
		- Budgetary control reports should be monitored on a regular basis. The Governing Body may consider delegating this responsibility to an appropriate committee with reports being presented for its attention on a termly basis.	Y
		- The School should prepare and publish a school profile annually, replacing the previous requirement to publish a governors' annual report. Profiles should be available in hard copy for those with no internet access at the same time as the profile is published online. Versions should be available in alternative formats/languages (e.g., foreign language versions for parents whose first language is not English) if they deem this necessary. Schools should inform parents when the profile will be available online and how to request alternative versions	Y
		- Cheque signatories for the school's private fund should be increased to at least three members of staff	Y
		- Official orders should be used to purchase all appropriate goods / services, and committed onto the financial system for budgetary control purposes.	Y
		- Once delivery notes are checked to goods received and orders, they should be retained in a secure manner.	Y
		- The school should comply with Financial Procedure Rules / LMS Rules when purchasing goods / services in excess of quotation / tender limits. Documentation relating to such exercises should be retained for reference purposes.	Y
		- Checks should be made by the school to ensure that contractors employed to carry out construction type works have valid CIS certificate and £5M Public Liability Insurance. Steps should be taken to ensure that deductions for tax are made when appropriate.	Y
Manor College	Ensure school financial and governance arrangements are in line with best practice.	- The School should consider registering the private fund with the Charity Commissioner.	Y
		- Regular reconciliation's should be undertaken to agree the balance held in	Y

		the private fund bank to that recorded in the cashbook.	
		- Official orders should be raised and committed on to SIMS at the point of order to ensure budgetary control.	Y
		- Once delivery notes are checked to goods received and orders, they should be retained in a secure manner.	Y
		- The school should comply with Financial Procedure Rules / LMS Rules when purchasing goods / services in excess of quotation / tender limits. Documentation relating to such exercises should be retained for reference purposes.	Y
		- Checks should be made by the school to ensure that contractors employed to carry out construction type works have valid CIS certificate and £5M Public Liability Insurance. Steps should be taken to ensure that deductions for tax are made when appropriate.	Y

Appendix B

Audit	Objectives
Car Parks Income	To determine whether regular reviews of the charges are completed ensuring the Authority does not suffer loss of revenue. Where revenue is being generated through non-staff car parks that adequate procedures, policies and security measures have been implemented to protect the Authority from any potential misappropriation, vandalism or fraudulent activity. Costs of the administration, collection and recovery of funds are taken into account before beginning the recovery process for parking fines. Adequate and regular review of income is carried out to monitor budget and reveal possible fraudulent activity. Relevant and up to date procedures exist for the maintenance of the Authority's Staff Parking Scheme.
Sure Start South	To ensure that there is adequate financial monitoring and budgetary controls in place, to examine the arrangements for IT data security and the security of cash and assets held and to ensure that the arrangements for procurement and the payment of invoices are in line with Financial Procedure and Contract Procedure Rules. To exam the petty cash imprest account, procedures for dealing with Service Level Agreements and reconciliation of income.
Employees Register of Interest	Ensure all relevant guidance is followed and good governance arrangements are in place.
English Martyrs Secondary	Ensure school financial and governance arrangements are in line with best practice
Sure Start Central	To ensure that there is adequate financial monitoring and budgetary controls in place, to examine the arrangements for IT data security and the security of cash and assets held and to ensure that the arrangements for procurement and the payment of invoices are in line with Financial Procedure and Contract Procedure Rules. To exam the petty cash imprest account, procedures for dealing with Service Level Agreements and reconciliation of income.
Benefits	Ensure that staff processing claims have the knowledge/ability to process subsidy claims accurately and promptly in compliance with relevant legislation/procedures and that accurate levels of subsidies are claimed and are supported by appropriate documentary proof. Review the day-to-day operation of the benefits system to ensure processes are in accordance with the appropriate verification framework regulations and provide sufficient information to enable effective checking and monitoring of claims/performance. Evaluate system processes against objectives to ensure that overpayment of claims are identified and efficiently/effectively recovered and that payment of claims is prompt, accurate, authorised and correctly accounted for. Review controls to ensure that all records and documentation are safeguarded from loss/unauthorised access and that there is an adequate and effective framework in place to prevent/detect fraudulent claims and to investigate all suspect fraud.
Emergency Planning	Ensure that the Emergency Planning service is provided in line with any statutory or legislative requirements and is effectively and efficiently operated. Ensure information and equipment is held securely.
Dyke House Secondary	Ensure school financial and governance arrangements are in line with best practice.
Central Printing	Examine and evaluate the system and procedures in place for providing a printing and associated services function to the Council.
Fleet Management	Examine and evaluate the system and procedures in place for the procurement of vehicles, hiring out of vehicles, fuel management and workshop procedures.
Loans And Investments	To ensure there are clear and concise policies and procedures in place for administering Loans and Investments ensuring that the best possible arrangements are made when managing the cash flow position. Financial Procedure Rules are adhered to when arranging loans and investments. Accurate and reliable records are maintained of all investment and loans and decisions made. Procedures in place allow for an effective and efficient use of resources. Access to process loans and investments is restricted with a division of duties maintained.

School Catering Recharges	To ensure Contract Procedure Rules and Financial Procedure Rules are adhered to in arranging contracts, processing creditor payments and payroll documents and the collection of income. The Department efficiently and effectively controls the systems in place for the provision of the School Meals Service. Stocks and income are securely held and accounted for.
Cash/Bank	To ensure that secure arrangements exist for the collection & recording of cash, cash collections & all direct bank credits are promptly, completely & accurately brought to account, all collections are promptly banked, all collections are promptly & accurately posted to debtors' or income accounts and a management trail exists.
Building and Development Control Income	The Authority provides a building and development control service in line with statutory obligations, the Authority's policies & procedures comply with relevant legislation/guidance, complete, accurate and reliable evidence is retained and processed in support of planning and building applications, income received is correctly recorded and paid into the Authority's bank account in a timely manner and cash and documents with a financial/confidential value are held securely and in compliance with any relevant legislation e.g. Data Protection.
Children's Act	Ensure policies & procedures comply with relevant legislation/guidance.
Salaries	Ensure Salaries and related costs are incurred only in respect of staff currently employed in authorised posts, are correctly calculated and properly authorised and have been correctly coded. Salaries are properly and accurately recorded and details held securely. Salaries are paid only to those entitled and all expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained.
Wages	Ensure Wages and related costs are incurred only in respect of staff currently employed in authorised posts, are correctly calculated and properly authorised, have been correctly coded and are properly and accurately recorded and details held securely. Wages are paid only to those entitled and all expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained.
Catering	Ensure that all income is promptly accounted for, receipted and banked, the procedures in place for the administration of functions is adequate, that the methods of stock control including the receipt, issues and returns to stock are adequate, that stocks are held in a secure location and can be accounted for and purchase orders and payment procedures are effective.
Debtors	To ensure the responsibility for raising sundry debtor accounts is clearly defined, the debtors system is operated with due regard to economy and effectiveness, debtor's accounts are promptly and correctly raised in respect of all miscellaneous and service charges due to the authority, amounts due are credited to the correct income accounts, administrative procedures ensure that debtor's accounts are dispatched promptly and are followed up when no payment has been received, all write-offs of amounts due from debtors are properly authorised, debtors payments received are processed promptly and are correctly posted to the debtors accounts and correct recording of outstanding sums due in the annual accounts.
Nursing and Residential Accommodation Fees	To ensure the Council receives all income due and makes payment of the correct amounts only to those entitled, calculations and assessments are correct and in accordance with statutory requirements and the Council's agreed policy, all transactions are properly recorded and accounted for, and a clear audit trail exists, supported by adequate documentary evidence and the systems used to calculate and process payments ensure the most effective and efficient use of the Council's resources.
Disabled Discrimination Act	To ensure the HBC approach to implementing DDA is documented, complies with legislation/guidance, follows best practice and has been agreed by the Executive/Management Board. Executive Members and Senior Managers within Directorate are actively involved in the process as well as operational managers delivering services on the ground. A consistent methodology is used to identify services/access rights etc that do not comply with DDA. Areas of non-compliance are reported to management and acted upon as appropriate. Key staff/members receive adequate training/guidance to enable them to discharge their duties in an efficient manner. Appropriate mechanisms are in place to monitor progress against DDA compliance. Risks associated with non-compliance are identified and entered onto the Risk register. The implications of key decisions made by portfolio holder/executive are raised at the time the decision is made.

Health and Safety	To ensure an effective H&S Policy agreed by Members is in place, which sets a clear direction for the organisation to follow. The policy should express best practice and comply with legal standards and guidance issued by the HSC/E. An effective management structure is in place with adequate arrangements for delivering the policy across the authority. There is a planned and systematic approach to carrying out assessments to identify, analyse, prioritise and control significant risks in the workplace in accordance with issued Regulations. There are arrangements in place to react to changes in legislation/release of new guidance or codes of practice. Personal details held in respect of accidents/incidents, both manually and electronically, is retained in accordance with Data Protection and Freedom of Information legislation. There are arrangements in place to ensure that data held can be restored in the event of systems failing. Best value and other appropriate performance indicators are used to measure and improve performance and these are subject to regular review by Managers;
National Non Domestic Rates	To ensure the authority maintains a secure system for recording and monitoring collectable non-domestic rates. Liability for NNDR is accurately assessed and timely bills for the correct amount are sent to the occupiers of all rateable hereditaments in the authority's area. The authority maintains an accurate list of all hereditaments subject to locally collectable non-domestic rates. All NNDR money collected is promptly posted to the correct account. Relief given for transition, charities and hardship are given in accordance with the regulations and local schemes and all write offs are valid. The authority complies with other legal requirements. All write offs are valid and correctly processed and authorised. Liability for NNDR is accurately assessed and timely bills for the correct amount are sent to the occupiers of all rateable hereditaments in the authority's area. Prompt and effective recovery action is taken on all overdue unpaid amounts. NNDR transactions are recorded in the authority's accounts.
Direct Payments	To ensure Procedures adopted within Adult & Community Services for the administration and management of the Direct Payments system comply with the criteria laid down within the relevant legislation, any direct payments made are reasonable, accurate and timely and adequate monitoring arrangements are in place.
Contacts and Commissioning	To ensure the service is required and is provided in the most appropriate manner, contracts are awarded in line with Financial Procedures / Contract Procedure Rules, adequate procedures are in place to monitor contractor performance and ensure compliance with contract conditions/legislative requirements and that accurate and timely payments are made in line with contract conditions.
Creditors	To ensure Supplies of goods and services are properly authorised and comply with standing orders and Financial Procedure Rules, procedures ensure that payments are only made for goods and services received, controls over input ensure that it is authorised, complete, accurate, not previously processed and timely, processing controls ensure that all data is processed and accounted for and that backup copies of files are taken at appropriate intervals and held securely, all expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained, cheques and data are securely controlled both as blanks and when completed, policies relating to data protection, information classification and information security within the authority should be adhered to and a management trail exists.
Home Care	To ensure that the procedures for determining the provision of Home Care are adequate; that financial assessments carried out to calculate clients contribution to the cost of Home Care are undertaken in a fair and accurate manner, with periodic reassessments carried out to ensure that changes in circumstances are taken into account, that the care provided is in accordance with the assessment, the charges arising from the provision of care are accurate and adequate quality assurance mechanisms are in place and that all income due is received, correctly recorded, accounted for and promptly paid into the Authority's bank account.

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AUDIT COMMITTEE

4th January 2007

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Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2007/08

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1.   PURPOSE OF REPORT

1.1   To inform Members of the direction of Internal Audit activity and to seek approval of the annual operational Internal Audit Plan for 2007/08.

2.   BACKGROUND

The attached Report provides accountability for internal audit services and allows Members to monitor the application of the delegated authority for ensuring an effective and satisfactory internal audit function in accordance with the Accounts and Audit Regulations 2003 and CIPFA Code of Practice for Internal Audit in Local Government in the UK (2003).

3.   FINANCIAL IMPLICATIONS

None.

4.   RECOMMENDATIONS

Members note the contents of this Report and approve the Internal Audit Plan for 2007/08.

Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2007/08

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1.   PURPOSE OF REPORT

1.1   To inform Members of the direction of internal audit activity, and to seek approval of the annual operational Internal Audit Plan for 2007/2008 (Appendix A).

2.   BACKGROUND

2.1   Under the Accounts and Audit Regulations 2003, the Council is responsible for maintaining an adequate and effective system of internal audit of its accounting records and accounting control systems in accordance with proper internal audit practices. At Hartlepool, the authority for ensuring this responsibility is discharged, has been delegated to the Chief Financial Officer.

2.2   To accord with the CIPFA Code of Practice 2003 and to assist in ensuring the objectives of Internal Audit are achieved, audit activity must be effectively planned to establish audit priorities and ensure the effective use of audit resources. Code of Practice criteria within Comprehensive Performance Assessment requires that there is an internal audit plan based on an evidenced assessment of risk and that the plan is reported to Members.

2.3   Given available audit resources, all aspects of the Council's systems and arrangements cannot be audited in one year. In recognition of this a five-year Strategic Audit Plan has been prepared using a risk model based on the model accredited by the Chartered Institute of Public Finance and Accountancy, which factors include:

- Value of transactions
- Volume of transactions
- CPA critical
- Management and Control environment
- Relevance to SIC
- May incur legal penalties

2.4   The existing five year Strategic Plan has assisted in the production of the Annual Audit Plan for 2007/2008. Additionally, the audit plan has been tailored to add value to the Council following a process of discussion and consideration by Corporate Management Team, of their current operational issues.

2.5   Hartlepool Borough Council Internal Audit establishment consists of a Head of Audit and Governance and 6.5 FTE audit staff.

3   INTERNAL AUDIT RESOURCES 2007/2008

Mainstream Internal Audit

3.1   A total of 82 planned audits will form the basis of the mainstream Internal Audit Work for 2007/08. The plan is broken down into the main areas of work undertaken in order to provide an opinion on the control environment in operation at the Council. It includes fundamental systems such as salaries, debtors, creditors, risk management etc., which are identified, for the purpose of the plan, as single audits. However, these will include system and probity audits in each or some of the departments, in support of the main system reviews.

        In addition to the planned audit work, advice and support will be provided on an ad hoc basis throughout the financial year together with unplanned reactive work wherever necessary and appropriate.

3.2   In addition, for 2007/08, 120 days of audit work will be provided to the Cleveland Fire Authority.

3.3   Further details are provided in Appendix A of the focus of coverage across the council.

4   DELIVERING THE AUDIT

4.1   Regular liaison is an essential feature of an effective and responsive audit function. In this context, Internal Audit will:

-       Have frequent meetings with departments to discuss the short term audit program, any current departmental issues which may benefit from an audit review and provide the opportunity to raise any concerns with the audit services provided

-       Following audit reviews, agree action plans scheduling recommendations, identifying responsibilities and timescales for action

-       Carry out follow up work to monitor the effectiveness of management in actioning audit recommendations

- Ensure audit recommendations are focused on improving controls and delivering benefits to the Council.

- Provide feedback to the Chief Financial Officer and Members on progress on the audit plan and the outcomes of audit work.

5 <u>INTEGRATION</u>

5.1 Although Internal Audit and the Audit Commission carry out their work with different objectives, it is good professional practice that both parties should work closely together, which is a principle that the Council has always been committed to.

5.2 The arrangements for ensuring effective joint working are formalised into a Joint Protocol Agreement, which ensured that the overall audit resources are most effectively focused and duplication is mitigated.

6 <u>RECOMMENDATION</u>

6.1 It is recommended that Members approve the 2007/2008 Internal Audit Plan.

Appendix A

Department Name	Code	2007/08	
		FUNDAMENTAL SYSTEMS	
Chief Executives	FS1	Asset Register - Capital Accounting	10
Chief Executives	FS2	Benefits - Housing & Council Tax	25
Chief Executives	FS3	Budgetary Control	15
Chief Executives	FS4	Cash/Bank	10
Chief Executives	FS5	Council Tax	15
Corporate	FS6	Creditors	15
Corporate	FS7	Debtors	15
Chief Executives	FS8	Loans & Investments	5
Chief Executives	FS9	Main Accounting	15
Chief Executives	FS10	NNDR	10
Corporate	FS11	Procurement	20
Corporate	FS12	Salaries	10
Corporate	FS13	Wages	10
		OTHER SYSTEMS	
Corporate	OS1	Attendance Management	10
Chief Executives	OS2	Contracts:	30
		Pre	
		Current	
		Post	
Corporate	OS3	Fleet Management	0
Chief Executives	OS4	Health and Safety	10
Chief Executives	OS5	Mortgages	5
Chief Executives	OS6	National Fraud Initiative	5
Corporate	OS7	Officers Expenses	10
Corporate	OS8	Performance Management Systems	10
Chief Executives	OS9	Recruitment, Selection and Retention	10
Chief Executives	OS10	Redundancies	10
Chief Executives	OS11	Risk Management	20
Chief Executives	OS12	Time Management/Flexi Scheme	0
Chief Executives	OS13	Training	0
Chief Executives	OS14	V.A.T.	5
		GOVERNANCE ISSUES	
Corporate	GI1	Bichard Report	0
Corporate	GI2	Childrens Act	10
Corporate	GI3	Disabled Discrimination Act	5
Corporate	GI4	Data Protection Act	10
Corporate	GI5	Freedom of Information Act	5
Chief Executives	GI6	Fraud Awareness	15
Corporate	GI7	Public Interest Disclosure Act	0
Corporate	GI8	Proceeds of Crime Act	5
Corporate	GI9	Regulation of Investigatory Powers Act	0
	GI10	Contingency	10
		PARTNERSHIPS	
Corporate	PA1	Childrens Fund	10

Corporate	PA2	Hartlepool Partnership/Local Area Agreement	40
Corporate	PA3	Housing Hartlepool	0
Regeneration and Planning	PA4	SRB/NDC	10
	PA5	Contingency	10
		ANNUAL AUDITS	
Corporate	1Y1	Best Value Performance Plan	10
Chief Executives	1Y2	Claim Adjustor Reviews	5
Education	1Y3	Student Awards	5
Adults	1Y4	Supporting People	25
		TWO YEARLY AUDITS	
Childrens	2Y1	Adoption	10
Childrens	2Y2	Brierton Secondary School	0
Neighbourhood Services	2Y3	Building Maintenance	20
Neighbourhood Services	2Y4	Car Parks Income	0
Childrens	2Y5	Carlton Centre	10
Adults	2Y6	Catering	0
Neighbourhood Services	2Y7	Community Transport	0
Adults	2Y8	Contracts & Commissioning	0
Adults	2Y9	Direct Payments	0
Childrens	2Y10	Dyke House Secondary School	0
Chief Executives	2Y11	Emergency Planning	0
Chief Executives	2Y12	Employees Registers of Interest	0
Childrens	2Y13	English Martyrs Secondary School	0
Adults	2Y14	Fostering	10
Childrens	2Y15	Free School Meals	10
Childrens	2Y16	High Tunstall Secondary	7
Neighbourhood Services	2Y17	Highways	20
Adults	2Y18	Home Care	10
Neighbourhood Services	2Y19	Housing Aid & Asylum Seekers	0
Neighbourhood Services	2Y20	Improvement/Renovation Grants	10
Regeneration and Planning	2Y21	Industrial Estate Lettings/Rental	10
Chief Executives	2Y22	Insurances	10
Childrens	2Y23	Manor College Of Technology	0
Chief Executives	2Y24	Members Allowances	0
Chief Executives	2Y25	Members Code of Conduct	5
Neighbourhood Services	2Y26	Milk Grant	5
Adults	2Y27	Millhouse Centre	0
Adults	2Y28	Nursing & Residential Accommodation Charges	0
Adults	2Y29	Pensions, Allowances & Client Property	0
Neighbourhood Services	2Y30	Pest Control, Licences, Public Health Income	0
Corporate	2Y31	Petty Cash	10
Childrens	2Y32	S.E.N. Support	10
Adults	2Y33	Section 17 Payments	10
Childrens	2Y34	Springwell Special School	0
Childrens	2Y35	St. Hilds	0
Childrens	2Y37	Children Centres	10
Adults	2Y38	Tourism	15
Neighbourhood Services	2Y39	Trading Standards	10
Neighbourhood Services	2Y40	Stores	10

		THREE YEARLY AUDITS	
Neighbourhood Services	3Y1	Abandoned Vehicles	0
Childrens	3Y2	Adult Education	0
Adults	3Y3	Allotment Rentals	0
Chief Executives	3Y4	Assisted Car Purchase	5
Childrens	3Y5	Barnard Grove Primary School	6
Adults	3Y6	Book Fund	0
Adults	3Y7	Brooklyn Centre	5
Childrens	3Y8	Brougham Primary School	0
Regeneration and Planning	3Y9	Building & Development Control Income	0
Regeneration and Planning	3Y10	Business Support Grants	10
Childrens	3Y11	Catcote Special School	6
Adults	3Y12	Cemeteries & Crematoriums	0
Chief Executives	3Y13	Central Land Charges	10
Chief Executives	3Y14	Central Printing	0
Childrens	3Y15	Clavering Primary School	0
Neighbourhood Services	3Y16	Cleaning Of Buildings	0
Adults	3Y17	Community Grants	0
Corporate	3Y18	Corporate Postages & Franking	0
Adults	3Y19	Court Of Protection	0
Childrens	3Y20	Education Development Centre	0
Childrens	3Y21	Eldon Grove Primary School	6
Childrens	3Y22	Elwick C Of E Primary School	0
Childrens	3Y23	Fens Primary School	0
Childrens	3Y24	Golden Flatts Primary School	0
Childrens	3Y25	Grange Primary School	6
Childrens	3Y26	Greatham C Of E Primary School	6
Neighbourhood Services	3Y27	Hackney Carriages	0
Childrens	3Y28	Hart Primary School	0
Adults	3Y29	Havelock Day Centre	5
Adults	3Y30	Hire Of Community & Public Halls	0
Childrens	3Y31	Holy Trinity C Of E Primary School	0
Childrens	3Y32	Jesmond Primary School	0
Childrens	3Y33	Kingsley Primary School	0
Adults	3Y34	Libraries	0
Neighbourhood Services	3Y35	Licencing	0
Childrens	3Y36	Lynnfield Primary School	0
Neighbourhood Services	3Y37	Market Rents	0
Adults	3Y38	Meals On Wheels	10
Childrens	3Y39	Music Service (Joint Arrangement)	5
Childrens	3Y40	Owton Manor Primary School	0
Adults	3Y41	Parks Income	0
Adults	3Y42	Placements	10
Adults	3Y43	Playing Fields & Lettings	5
Adults	3Y44	Playschemes (Easter & Summer)	5
Childrens	3Y45	Pupil Referral Unit (P.R.U.)	0
Neighbourhood Services	3Y46	Recycling Centre	0
Adults	3Y47	Registrars	0
Adults	3Y48	Registration & Inspection	0
Adults	3Y49	Resource Centres	5
Childrens	3Y50	Rift House Primary School	0
Childrens	3Y51	Rossmere Primary School	0

Childrens	3Y52	Sacred Heart Primary School	6
Neighbourhood Services	3Y53	School Catering Recharges	0
Childrens	3Y54	Seaton Carew Nursery	0
Childrens	3Y55	St. Aidans Primary School	0
Childrens	3Y56	St. Begas Primary School	6
Childrens	3Y57	St. Cuthberts Primary School	0
Childrens	3Y58	St. Helens Primary School	0
Childrens	3Y59	St. John Vianney Primary School	0
Childrens	3Y60	St. Josephs Primary School	0
Childrens	3Y61	St. Teresas	0
Childrens	3Y62	Stranton Primary	6
Adults	3Y63	Summerhill	0
Adults	3Y64	Swinburne House	5
Adults	3Y65	The Firs	0
Childrens	3Y66	Throston Primary School	6
Neighbourhood Services	3Y67	Trade Refuse/Special Collections	0
Childrens	3Y68	Ward Jackson Primary	6
Neighbourhood Services	3Y69	Warden Call	10
Social Services	3Y70	Warren Road	0
Adults	3Y71	West Park Primary	6
Childrens	3Y72	West View Primary School	6
		OTHER PLANNED WORK	
Chief Executives	OP1	BVPI's	30
Chief Executives	OP2	Computer Audit	85
Chief Executives	OP3	E - Government Strategy	0
Corporate	OP4	Advice and Support	30
Corporate	OP5	Statement on Internal Control	10
		ADMINISTRATION	
Corporate	HOL	Holidays	233
Corporate	SIC	Sickness	40
Corporate	TRA	Training/Development	16
Corporate	BH	Bank Holidays	48
Corporate	ADM	Administration	96
Corporate	CON	Contingency	25
		CFA	
CFA	FB1	Asset Management	0
CFA	FB2	Assisted Car Purchase Scheme	0
CFA	FB3	Creditors	12
CFA	FB4	Debtors	10
CFA	FB5	Fleet Management	12
CFA	FB6	Full Time Fire Stations	8
CFA	FB7	Grant Administration	0
CFA	FB8	Income	0
CFA	FB9	Insurances	0
CFA	FB10	Inventories	6
CFA	FB11	IT Management	0
CFA	FB12	Officers Expenses	10
CFA	FB13	Part Time Fire Stations	0
CFA	FB14	Payroll	12

CFA	FB15	Pensions	8
CFA	FB16	Procurement	0
CFA	FB17	Retained Firefighter Claims	4
CFA	FB18	Stores	10
CFA	FB19	Training School	0
CFA	FB20	VAT	0
CFA	FB21	Young Firefighters Association	6
CFA	FB22	National Fraud Initiative	5
CFA	FB23	Analytical Review	2
CFA	FB24	Corporate Governance Issues	10
CFA	FB25	Advice & Support	5
		TOTAL	**1582**

AUDIT COMMITTEE

4th January 2007

Report of: Chief Financial Officer

Subject: REVIEW OF FINANCIAL PROCEDURE RULES

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1.   PURPOSE OF REPORT
To inform Members of the review carried out on the Councils Financial Procedure Rules (FPRs).

2.   SUMMARY OF CONTENTS
An explanation of why FPRs needed to be reviewed and the changes proposed.

3.   RELEVANCE TO PORTFOLIO MEMBER
N/A

4.   TYPE OF DECISION
Non-key decision.

5.   DECISION MAKING ROUTE
Constitution Working Group will review arrangements when completed.

6.   DECISION(S) REQUIRED
Members views are sought on the proposed changes.

Report of: Chief Financial Officer

Subject: REVIEW OF FINANCIAL PROCEDURE RULES

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1.   PURPOSE OF REPORT

1.1   To inform the Audit Committee of the necessity to review the Councils current Financial Procedure Rules (FPRs) as set out in the Constitution. The report sets out the changes proposed to FPRs in order to meet the requirements identified when completing the Statement on Internal Control (SIC) for 2005/06.

2.   BACKGROUND

2.1   The Council needs to have suitably robust financial arrangements in place both corporately and at a department level to demonstrate appropriate control procedures exist to manage services and risks, with the FPRs providing this framework.

2.2   As part of the evidence gathering process for the 2005/06 SIC, it was felt that in order to maintain the highest levels of financial probity and best practice the current FPRs would need to be updated. There are also new initiatives and challenges that face the Council, such as partnership working and the arrangements for dealing with grant income, that now need to be included.

2.3   The proposed changes detailed in italics in Appendix A have been reported to and agreed by CMT at their meetings of 23.10.06 and 4.12.06. The revised FPRs will be reported to Constitution Working Group for their consideration in due course.

4.   <u>RECOMMENDATIONS</u>

4.1   Members views are sought on the proposed changes.

Appendix A

2.2   Internal Audit

2.2.1   The Chief Financial Officer has a statutory responsibility for the overall financial administration of the Council's affairs and is responsible for maintaining an adequate and effective internal audit.

2.2.2   Internal Audit is an independent and objective appraisal function established by the Council for reviewing the authority's system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

2.2.3   In undertaking its work, Internal Audit is independent in planning and operation and carries out its activities in accordance with the CIPFA Code of Practice for Internal Audit and any other relevant guidance.

2.2.4   In carrying out the internal audit function the Chief Financial Officer, or his/her authorised representative, has authority, subject to any statutory limitations, to:

i) Enter at all times any Council land or premises;
ii) Have access to all documents, correspondence and other records relating to the finances of the Council and apply any test or check deemed necessary;
iii) require and receive from employees, Members or other persons, information and explanations concerning any matter under examination;
iv) require any employee of the Council to produce any cash, stores or other property of the Council under the employee's control.

2.2.5   Chief Financial Officer's responsibilities:

i) Maintain Strategic and Annual audit plans taking account of relative risk and in consultation with Directors and Chief Officers;
ii) Ensure that Internal Audit have access at reasonable times to all Council premises, records, documents and staff for information and explanations;
iii) Where appropriate report to Members on any audit recommendations *the Directors have formally stated they will not implement or have not been implemented within six months of agreement;* ~~not actioned within a reasonable period;~~
iv) Report annually to the relevant Scrutiny Forum on the main issues raised by Internal Audit during the year;
v) Investigate promptly any fraud or irregularity brought to his/her attention and report to the Head of Paid Service.

2.2.6   Responsibilities of Directors and Chief Officers:

i) To ensure that Internal Auditors are given access at all reasonable times to premises, records, documents and staff for the purposes of their work and liaise and co-operate with Internal Auditors on service specific issues;

ii) To consider and respond promptly to audit recommendations, *confirming in writing they have been implemented or formally stating why they will not be implemented.* ~~ensure that agreed actions are carried out in a timely manner;~~

iii) Notify the Chief Financial Officer immediately of any suspected fraud or irregularity. Take all necessary steps to prevent further loss and secure records for any investigation.

2.9   Preventing Financial Irregularities

2.9.1   In administering its responsibilities, the Council is committed to the prevention of financial irregularities and in its Anti Fraud and Corruption Strategy, issued from time to time, Council makes it clear that the Council will not tolerate fraudulent or corrupt acts committed either by its officers, Members, or those companies or organisations with which it does business.

2.9.2   The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, procedures and Codes of Conduct.

2.9.3   The Council has in place a network of systems and procedures to cover its stewardship of public funds responsibilities and it maintains a continuous overview of the adequacy of its corporate governance arrangements through its Internal and External Auditors.

2.9.4   The Council's "Whistleblowing Arrangements" issued from time to time, provide the opportunity for issues to be raised in a confidential manner. In addition, the Council operates defined protocols, *such as the procedures to comply with the Proceeds of Crime Act,* setting out individual responsibilities for reporting and the subsequent investigation of irregularities.

2.9.5   Chief Financial Officer's responsibilities:

i) Maintain adequate and effective audit arrangements;
ii) Periodically review the Council's policies on Fraud and Corruption;
iii) Ensure irregularities are appropriately investigated and are reported to the Head of Paid Service to determine what further action should be instigated.

2.9.6   Responsibilities of Directors and Chief Officers:

i) Ensure all staff are aware of the Council's Anti Fraud and Corruption Strategy;

ii) Ensure that all suspected irregularities are reported to the Chief Financial Officer and if appropriate, the Monitoring officer.

3.3 Monitoring of Revenue Income and Expenditure

3.3.1 Having determined budgets that set out how the Council intends to achieve its objectives it is important to monitor the performance of actual income and expenditure against those budgets. This is a continuous process to ensure that resources are used to their best effect. In relation to income it is important to ensure that all income is accounted for and in relation to expenditure that differences are explained and understood. The analysis of differences should enable budget holders to ensure that appropriate action to bring budgets back on track is taken. Often at the detail level this may not be possible within the financial year and the relevant Director will need to consider transfers from other budgets within their control.

3.3.2 Responsibilities of the Chief Financial Officer:

i) To ensure that monitoring reports are available to budget holders;
ii) To ensure that corporate level budgets are monitored;
iii) To determine the format of monitoring reports for Scrutiny and or Executive;
iv) To report on major differences or trends that have a significant impact on the overall finances of the Council;
v) To operate and maintain an effective Financial Management system;
vi) To provide Directors and Chief Officers with appropriate advice and guidance.

3.3.3 Responsibilities of Directors and Chief Officers:

i) To ensure that adequate budget provision exists for all expenditure prior to it being incurred;
ii) To ensure that each detailed budget has a nominated budget holder;
iii) To monitor budgets within their service areas;
iv) *To ensure that where the approved budget for a service area under a single Directors control is anticipated to be insufficient to meet forecast commitments, to transfer resources between service areas in accordance with the budget transfer rules detailed in section 4.5 and where appropriate to seek approval of transfers within the quarterly monitoring reports submitted to Cabinet.*
v) To inform the Chief Financial Officer of any major differences of actual from planned income or expenditure.

3.5 Monitoring of Capital Income and Expenditure

3.5.1 Having set a Capital Programme to achieve its Capital Strategy it is important to monitor the performance of actual physical progress, income and expenditure against the Programme. This is a continuous process to ensure that resources are used to their best effect and not

lost, as some external funding is limited to specific financial years. In relation to Capital income, which can take the form of grants or credit approvals, it is important to ensure that all income is received and accounted for within the right financial year. Physical progress should be monitored, as this is a leading indicator of real expenditure on schemes. The analysis of differences between expected spends and actual should enable budget holders to ensure that appropriate action to bring budgets back on track is taken. If this is not possible then the relevant Director will need to consider transfers to or from other budgets within their control. If this is not possible then the Chief Financial Officer should be informed to enable the programme to be rebalanced.

3.5.2   Responsibilities of the Chief Financial Officer:

i) To ensure that monitoring reports are available to budget holders;
ii) To determine the format of monitoring reports for Scrutiny and or Executive;
iii) To report on major differences or trends that have a significant impact on the overall finances of the Council;
iv) To ensure so far as possible the overall Programme is balanced and that the Council suffers no loss of resources;
v) To provide Directors and Chief Officers with appropriate advice and guidance.

3.5.3   Responsibilities of Directors and Chief Officers:

i) To ensure that adequate budget provision exists for all expenditure prior to it being incurred;
ii) To ensure that each detailed budget has a nominated budget holder;
iii) To monitor projects and their budgets within their service areas;
iv) *To ensure that where the approved budget for a specific scheme is anticipated to be insufficient to meet forecast commitments, to transfer resources in accordance with the budget transfer rules detailed in section 4.5 and where appropriate to seek approval of transfers within the quarterly monitoring reports submitted to Cabinet.*
v) To inform the Chief Financial Officer of any major differences of actual from planned income or expenditure.

3.5.4   Responsibilities of Director of Neighbourhood Services:

i) To manage the contracting process for building works;
ii) To monitor projects physical and financial performance and take action as necessary;
iii) To manage the disposal of surplus land and buildings in accordance with the Capital Strategy.

4.5   Budget/*Reserves* Transfers & Contingencies

4.5.1   The Council sets budgets for both Revenue and Capital expenditure;

equally the Council holds reserves for earmarked purposes.
Circumstances can and do change that result in those detailed budgets
becoming outdated. It is necessary, to ensure good financial
management, that flexibility exists to allow transfers of resources.

All transfers must be notified to the Chief Financial Officer for his
agreement prior to his actioning those transfers in the Accounting
System. All transfers must leave the originating budget with sufficient
funds to meet its commitments within ~~that~~ *the current* financial year *and
not affect the sustainability of future year budgets*.

4.5.2 *These rules should be interpreted for both budget and reserve transfers
and cover:*

     i)   Detailed transfers between service areas within a
Director's/Chief Officer's control;

     ii)   Transfers from Revenue to Capital;

     iv)   Transfers of *managed revenue* underspends to the following
financial year;

     v)   Transfers of resources into and from Specific Reserves;

~~4.5.3 For managed revenue underspend reserves and Specific Reserves this
needs to cover:~~

     ~~i) Transfers between reserves under a single Directors control
(Para 4.5.9 i - ii);~~

     ~~ii) Transfers between reserves covered by more than one
Directorate (Para iii).~~

4.5.3 *For Capital these rules cover:*

     i)   Transfers between projects;

     ii)   Transfers from Capital to Revenue, *which are subject to specific
rules*.

4.5.4 <u>Revenue Transfers</u>

In relation to budget transfers the following rules apply:

     *i)   Changes to staffing structures need to be approved in
accordance with the relevant Council policy and be approved by
the relevant Director, the Chief Executive, CPSO and CFO and
must be wholly sustainable. No permanent staffing changes can
be approved from reserves without Cabinet approval. Approval*

to fill all vacant posts must be granted by the Monitoring of Vacancy Panel prior to the commencement of the recruitment process.

i)   ~~In relation to transfers within a service area budget holders may transfer budgets from one type of expenditure to another. Due regard must however be taken of the ongoing impact of any commitments, this is particularly important when transferring budget to or from pay headings. Transfers to or from pay headings, including changes in grades, must be in accordance with the relevant HR Policy. Any later shortfall in budgets must be met from sustainable savings.~~

ii)   In relation to transfers between service areas under a single Directors control, the Director may transfer budgets as required up to *£100,000* ~~or 5%~~ ~~of a budget whichever is the lower~~.

iii)   In relation to transfers between service areas under a single Directors control *of between £100,001 - £500,000, these must be authorised by the relevant Portfolio Holder.*

iv)   In relation to transfers between service areas covering more than one Directorate, transfer of budgets up to *£100,000* ~~or 5%~~ of a budget, ~~whichever is the lower~~ must be authorised by the Cabinet.

v)   Budget transfers in excess of the above limits must be approved by the Council.

4.5.5   Transfers ~~both ways~~ from Revenue to Capital are allowed subject to continued service delivery.

4.5.6   Transfers of *managed revenue* underspends from one year to the following are allowed subject to the transfer not exceeding 10% of the *Departmental* ~~Director's/Chief Officer's~~ budget. *Details of contributions to managed revenue underspend must be reported to Cabinet within the annual outturn report.*

4.5.7   ~~In addition to the above Directors/Chief Officers can~~ In addition, transfers into and from Specific Reserves and technical budget adjustments necessary to allocate grant resources and comply with grant conditions are allowed. *Details of contributions to Specific Reserves must also be reported to Cabinet within the annual outturn report.*

4.5.8   *Capital Transfers*

In relation to Capital, ~~Directors/Chief Officers may~~ transfers of resources from one project to another subject to a maximum of:

- *£10,000 for projects up to £100,000,*
- *£50,000 for projects between £100,001 and £500,000,*
- *£100,000 for projects above £500,001, which must be approved by the CFO prior to being authorised by the relevant Portfolio Holder and reported with the quarterly budget monitoring report.*

The Council must approve budget transfers in excess of the above limits.

4.5.9   *Transfers between capital and revenue are allowed subject to the continued delivery of the capital program and compliance with capital accounting regulations and specific funding arrangements.*

4.5.10 <u>Contingencies</u>

In circumstances where action is required for which no or insufficient budget provision is available the Cabinet has authority to authorise the incurring of expenditure up to £100,000 in any one year from contingencies with maximum allocations for any one instance of £10,000.

4.5.13 ~~All transfers must be notified to the Chief Financial Officer for his agreement prior to his actioning those transfers in the Accounting System.~~

4.5.14 ~~All transfers must leave the originating budget with sufficient funds to meet its commitments within that the current financial year and not affect the sustainability of future year budgets.~~

4.5.11 Responsibilities of the Chief Financial Officer:

To maintain and administer the scheme of budget transfers and contingencies.

4.5.12 Responsibilities of Directors and Chief Officers:

To ensure the Chief Financial Officer is informed of any changes, which require a budget transfer.