

Public Document Pack

Gareth Owens LL.B Barrister/Bargyfreithiwr
Head of Legal and Democratic Services
Pennaeth Gwasanaethau Cyfreithiol a Democraataidd



To: Cllr Alison Halford (Chair)

CS/NG

Councillors: Glyn Banks, Haydn Bateman,
Alan Diskin, Richard Jones, Ian Roberts and
Arnold Woolley

5 March 2013

Paul Williams

Sharon Thomas 01352 702324
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Dear Sir / Madam

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD CH7 6NA** on **WEDNESDAY, 13TH MARCH, 2013** at **10.00 AM** to consider the following items.

Yours faithfully

Democracy & Governance Manager

AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **MINUTES** (Pages 1 - 10)
To confirm as a correct record the minutes of the meeting held on 30 January 2013 (copy enclosed).
- 4 **IMPROVEMENT ASSESSMENT LETTER (WAO)** (Pages 11 - 24)
Report of Chief Executive

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The Council welcomes correspondence in Welsh or English
Mae'r Cyngor yn croesawau gohebiaeth yn y Cymraeg neu'r Saesneg

- 5 **ANNUAL FINANCIAL AUDIT OUTLINE 2012/13** (Pages 25 - 54)
Report of Head of Finance
- 6 **TREASURY MANAGEMENT UPDATE 2012/13** (Pages 55 - 62)
Report of Head of Finance
- 7 **AUDIT OF FINANCIAL STATEMENTS 2011/12 - ISSUES RAISED** (Pages 63 - 68)
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Agenda Item 3

AUDIT COMMITTEE 30 JANUARY 2013

Minutes of the meeting of the Audit Committee of Flintshire County Council held at Clwyd Committee Room, County Hall, Mold CH7 6NA on Wednesday, 30 January 2013

PRESENT: Councillor Alison Halford (Chair)

Councillors Glyn Banks, Haydn Bateman, Richard Jones and Arnold Woolley

LAY MEMBER: Mr Paul Williams

SUBSTITUTES: Councillors: Bernie Attridge (for Ian Roberts) and David Cox (for Alan Diskin)

ALSO PRESENT: Councillors: Marion Bateman, Veronica Gay and Nancy Matthews

IN ATTENDANCE:

Chief Executive (minute numbers 49 and 50), Head of Finance, Head of Legal & Democratic Services, Internal Audit Manager, Democracy & Governance Manager and Committee Officer

Finance Manager, Lifelong Learning and Senior Auditor (minute number 49)

Risk Manager (minute number 50)

Corporate Finance Manager and Finance Manager - Strategy & Technical (for minute number 51)

Head of Housing (minute number 54)

Leader and Cabinet Member for Finance (minute number 54)

Mr. Patrick Green of RSM Tenon Plc

Ms. Amanda Hughes of Wales Audit Office

46. USE OF SUBSTITUTES

The Democracy & Governance Manager reminded Members that the Constitution allowed for substitutions to be made at Audit Committee where it was felt that good reasons had been provided and that those Members had undertaken relevant training. The Chair proposed that the substitutions be permitted on the basis that good reasons had been given. This was duly seconded.

RESOLVED:

That the two substitutions for the meeting be agreed.

47. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Councillor G.S. Banks declared an interest in Agenda Item 8 - Tracker Investigation Outcome - due to his connection to an individual linked to the investigation. The Head of Legal & Democratic Services said that prior to

consideration of the item, he would need to discuss privately with Councillor Banks the nature of the relationship to ascertain the type of interest to be declared. After private discussion with Councillor Banks prior to the item, this was decided to be a personal and prejudicial interest.

The Chair and Councillors J.B. Attridge, G.H. Bateman, D.L. Cox, R.B. Jones and A. Woolley declared a personal interest in Agenda Item 4 - School Fund Regulations - in their capacity as school governors. The Head of Legal & Democratic Services advised that as this was a personal interest only, those Members would be permitted to remain at the meeting and participate in discussion on the item.

48. MINUTES

The minutes of the meeting of the Committee held on 12 December 2012 were submitted.

Matters Arising

Minute 39: Annual Audit Letter - Following a question by Councillor G.H. Bateman on the closure of accounts for 2011/12, Ms. Hughes replied that she hoped this would shortly be resolved and the accounts cleared before the Committee next met.

Minute 42: Internal Audit Progress Report - The Chair asked if a note had been provided in response to Councillor I.B. Roberts' query on exceeding the limit of investigation days. The Internal Audit Manager said that an email had been circulated to all Members of the Committee on the day after the meeting.

RESOLVED:

That the minutes be approved as a correct record and signed by the Chairman.

49. SCHOOL FUND REGULATIONS

The Internal Audit Manager explained that this item had arisen in response to Members' concerns raised at the previous meeting on the lack of clear guidance on the use of school funds following a review carried out by Internal Audit. The findings of the review had been included as part of the Internal Audit Progress Report which identified nine significant recommendations and the Chair reminded the Committee of these.

The Finance Manager presented the report which highlighted the action taken by the Lifelong Learning Directorate to address the issues raised by Internal Audit, including the need for extensive guidance to be given to schools. It was explained that the draft guidance had been produced in consultation with the School Budget Forum, Secondary and Primary Heads Federations and business manager groups, with the final copy to be submitted for approval at School Budget Forum on the following day prior to circulation to schools. The document included a draft Constitution with the suggestion that school governors agree that this be taken up as good practice for all schools. The Finance

Manager said that feedback on the guidance so far had been positive and that if schools chose to follow the guidance, this would address the issues raised.

The Finance Manager explained that Secondary Head Teachers had expressed difficulty in finding suitably qualified individuals to carry out audits on school funds and had requested assistance from the Council. As a result, a number of qualified Council officers were being sought to offer this service on an independent basis.

In response to a question by the Chair on the training of school governors, the Finance Manager said that feedback had identified training as a high priority and that consideration on how this could be delivered would include liaison with the Governors Association. She added that training provision did not currently form part of the draft guidance but that there was a wish to include this.

Councillor G.S. Banks asked if an hourly rate for undertaking an audit could be set as a guideline. The Finance Manager said that payment arrangements would need to be made between the individuals and the schools.

Councillor R.B. Jones raised concerns about this arrangement and felt that it should be up to schools to identify their own resources. The Finance Manager stated that the Council had only been asked to provide a list of suitable individuals and that it was the choice of schools who they wished to engage.

The Chair invited Moira Owen, Senior Auditor, who was present in the public gallery, to speak on her involvement in the audit. She explained that most schools had experienced difficulty in finding individuals to carry out audits and that there were already a number of Flintshire employees who were undertaking this work. This prompted further concern by Councillor Jones on identifying those employees who were already undertaking audits and he favoured the inclusion of private sector companies in the list provided to schools.

Councillor J.B. Attridge questioned whether the draft guidance had received input from the Leader and Cabinet Member. The Finance Manager confirmed that this had been the case at School Budget Forum.

The Chief Executive spoke about the contractual obligations of employees set out in the standard terms of employment which required employees to have the permission of the employer to enter into third party paid work such as this. Whilst recognising that this was a valuable service to schools where employees might have the time and skill to provide an affordable audit service, there was a risk that an employee might find themselves with a conflict of interest if, for example, they worked in Finance or Lifelong Learning. He agreed that controls were needed and wished to look in more detail at employee involvement in carrying out school fund audits in liaison with Human Resources and Internal Audit. He also agreed that any such offers should not be anti-competitive.

Councillor Jones proposed that the recommendations be noted at this stage, until a further report could be received to consider the actions. This was not formally moved or seconded.

Mr. P. Williams welcomed the timely actions taken to address the issues raised by Internal Audit and sought assurance that this would be built into the Audit Plan. The Internal Audit Manager confirmed that this would be included in the Plan for next year. Mr. Williams proposed an amendment that the Committee agree to the implementation of the procedures subject to the suggestion made by the Chief Executive for further work to be carried out on employee implications. This was duly seconded by Councillor Attridge.

Councillor Jones then repeated his proposal as an amendment to the motion which was seconded by Councillor Woolley. On being put to the vote, the amendment was lost and Mr. Williams' motion was carried as the substantive motion.

RESOLVED:

- (a) That the Committee agree to the implementation of the guidance, subject to further work on the implications of the engagement of employees in a separate paid capacity for the auditing of school funds; and
- (b) That a follow-up review be included on the Audit Plan for next year.

50. RISK MANAGEMENT AND BUSINESS CONTINUITY

The Chief Executive introduced the report to provide Members with assurance on the systems for the corporate management of risk and business continuity.

On risk management, he advised of ongoing work to improve the Strategic Assessment of Risks and Challenges (SARC) document and highlighted the example risks shown in the report alongside mitigating actions to give assurance to Members. Examples of management of business continuity were also shown on the delivery of services and lessons learned during incidents of disruption to services such as extreme weather conditions.

Councillor R.B. Jones said that SARC was a useful method of identifying issues of risk but that the criteria used to add or remove items were unclear. The Chief Executive explained that a simpler more frequent update was needed on a quarterly basis. The Risk Manager commented that SARC was being mapped to the Improvement Priorities via a summary document which she hoped would be a useful tool for Members.

RESOLVED:

That the systems for the corporate management of risk and business continuity be noted.

51. TREASURY MANAGEMENT STRATEGY 2013/14, TREASURY MANAGEMENT POLICY STATEMENT 2013-2016, TREASURY MANAGEMENT PRACTICES 2013-2016 AND TREASURY MANAGEMENT UPDATE 2012/13

The Head of Finance presented the 2013/14 draft Treasury Management Strategy for review prior to recommendation to Cabinet. The report also provided an update on matters relating to the 2012/13 Council's Treasury Management Policy, Strategy and practices and on the Council's investment in Landsbanki.

The Corporate Finance Manager remarked on the transfer of the treasury management function from the Funds team to the Strategy & Technical Team which was managed by Liz Thomas and that a treasury management training session which had been arranged for all Council Members the previous day. The Chair commented that the training had been helpful in providing Members with a better understanding of the Council's finances but that attendance on the day had been disappointing.

The Finance Manager - Strategy & Technical introduced the appendices to the report and said that the focus of the Committee should be to consider the Treasury Management Strategy 2013/14 which contained the Council's approach for investment and borrowing over the coming year, together with budget implications and treasury management indicators. An error in the Credit and Counterparty Policies table shown under (TMP1) Risk Management on the TMP Schedules would be replaced by the correct version (shown under Section 5 of the Treasury Management Strategy) before the report was submitted to Cabinet and County Council. The Finance Manager - Strategy & Technical went on to describe the changes to the Strategy, as included in the report, which had been agreed with the Council's treasury management advisers Arlingclose Ltd.

In response to a comment by Councillor J.B. Attridge on the Policy Statement and Practices changing from annual documents to three yearly, it was explained that any significant changes during this period would be reported to Members.

Councillor R.B. Jones pointed out that in addition to the correction to the table, the bullet point following this would also need amendment to reflect the category for minimum asset size of UK building societies of £1bn. He sought assurance on the recommendation to allow investments with a credit rating of A- albeit for a reduced maximum six month investment limit.

The Finance Manager - Strategy & Technical said that all investments carry risk and so absolute assurance could not be given. However, the recommendation had been made in discussion with the Council's treasury management advisors, and was considered to be a measured risk given that it would introduce more counterparties for the Council to invest with.

Mr. P. Williams asked about any additional recommendations made by the advisors. The Finance Manager - Strategy & Technical explained that advice had been given to increase the investment period to ten years rather than the current five year limit to reduce the unrated building society limit to those with assets less than £250m rather than £1bn and to invest more in a more diverse range of

financial products which would be capital in nature. Due consideration had been given to their suggestions, however, they were not considered as right for Flintshire's Strategy and risk appetite currently.

Following queries raised by Councillor G.H. Bateman, it was explained that Sterling Consultancy Services had been acquired by Arlingclose Ltd who were now providing the same service by the same personnel. The list of investments appended to the report showed a range of interest rates and the suggestion for investment in Debt Management Office (DMO) only at a rate of 0.25% was put forward. Officers recognised that this was an approach followed by some Councils but not the approach recommended as best value for money, given the current rate of inflation. It was also explained that the term 'external cash managers' was used to describe individuals who managed investments on behalf of others.

Ms. A. Hughes said that the Committee needed to consider the report which had been produced in the context of advice received in acting responsibly to protect the Council's finances.

Councillor G.S. Banks asked if there was potential for a greater return if investments were made in a joint approach with other Authorities. The Finance Manager - Strategy & Technical said that whilst this could be taken into consideration, each Authority would have its own approved Strategy that may not have the same appetite for risk. The Chair requested that a note be provided to the Committee giving further detail on this. Councillor Jones asked if officers could also consult with clerks of Town and Community Councils and include in the note to be provided.

In response to a query from the Chair, the Head of Finance said that the Finance Function Review had been implemented and that appraisals were part of the ongoing programme. She thanked the officer team, some of whom were present in the public gallery, and reported on the smooth handover of the treasury management function. She went on to say that the issues discussed at this meeting and the training session would provide sufficient information for Members to move forward in the process.

RESOLVED:

- (a) That the Audit Committee recommend the draft Treasury Management Strategy 2013/14, Treasury Management Policy Statements 2013-2016 and Treasury Management Practices 2013-2016 to Cabinet on 19 February 2013 subject to the amendments referred to;
- (b) That the Treasury Management 2012/13 quarterly update be noted; and
- (c) That the Finance Manager - Strategy & Technical liaise with other North Wales Authorities and Town and Community Councils to explore the suggestion for a joint approach on investments and provide a note to the Committee.

52. FORWARD WORK PROGRAMME

The Internal Audit Manager presented a report to consider the Committee's Forward Work Programme for the coming year and asked Members to put forward any suggested changes.

Mr. P. Williams asked if the next scheduled meeting could include an update on progress with the appraisal system and Single Status.

Councillor R.B. Jones raised concerns on duplication of work, pointing out that the actual reporting of these issues was under the remit of the Corporate Resources Overview & Scrutiny Committee and that involvement by the Audit Committee applied to areas where there may be a perceived risk.

The Democracy & Governance Manager advised on the setting up of a training session between the Audit Committee and Overview & Scrutiny Chairs to clarify both roles following the implementation of the Local Government Measure and wider terms of reference for the Audit Committee. He went on to speak of the Chair's wish to hold regular meetings with Overview & Scrutiny Chairs to follow on from the training and suggested that the Committee may wish to wait until after the training session to consider the items suggested. Mr. Williams was in agreement with this suggestion.

The Chair suggested that the use of consultants could also be scheduled to monitor the level of spend. Councillor Jones reiterated his comments that financial control of consultants was an item for Overview & Scrutiny. Ms. A. Hughes said that the focus for Audit Committee should be to ensure that controls were in place so that contracts with consultants were established with deliverables and were effectively monitored.

The Head of Legal & Democratic Services stated that the key issue for Audit Committee was to ensure that controls were in place in the use of consultants and suggested that this could involve requesting six-monthly or annual reports to assess how controls were working.

The Internal Audit Manager commented on the new process for the appointment of consultants which would be reviewed by Internal Audit and that there would be a short review on the appointment of consultants this year followed by a wider review of the overall use of consultants as part of next year's Audit Plan.

The Committee agreed that the three items raised could be re-considered once the overlap of roles had been addressed at the training session with Overview & Scrutiny.

Although linked to the Statement of Accounts, Ms. Hughes requested that a separate item be scheduled for the Audit of Financial Statements in September 2013, as this was a specific issue.

RESOLVED:

That the Forward Work Programme be amended to include the Audit of Financial Statements as a separate item for the September 2013 meeting.

53. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC

Councillor A. Woolley queried the decision for the remaining two items on the agenda to be exempt, in particular the Tracker Investigation Outcome report which he felt could be viewed as being in the interests of the public. The Head of Legal & Democratic Services explained that Agenda Item 8 referred to individuals who might be identified from information in the report, which was one of the categories of exempt information, and that questions raised on the report might prompt discussion in breach of the Data Protection Act. Agenda Item 9 included details of contractual arrangements involving some individuals present at the meeting. He reminded Members of the Committee that it was at their discretion whether to move to closed session at this point. On being put to the vote, this was agreed.

In response to queries raised by Members on circumstances in which they would need to make a declaration of interest, the Head of Legal & Democratic Services stated that a Member could declare an interest on a matter which affected their wellbeing and the majority of residents in their ward. All Members had an interest in ensuring that Council processes were well run, which in this instance could represent a personal interest with those Members remaining for discussion on the item, however it was at their discretion whether to do so.

Following his declaration of personal and prejudicial interest made at the start of the meeting, Councillor G.S. Banks left the meeting for the duration of the item on Tracker Investigation Outcome.

RESOLVED:

That the press and public be excluded from the meeting as the following two items were considered to be exempt by virtue of Paragraph 13 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

54. TRACKER INVESTIGATION OUTCOME

The Head of Housing was in attendance to report on the outcome of the review of the vehicle tracker system. She explained the rationale for installing the system and events leading up to the investigation involving the co-operation of Trade Unions and reported that progress on improving controls was on track with a number of positive outcomes in moving forward with the service.

The Committee questioned the Head of Housing on the report and the issues contained within it. The Committee sought and was given assurance that the system was operating appropriately. The Committee was advised that an audit review of vehicle tracking was in the Audit Plan for 2012/13. This could include the adequacy and effectiveness of the procedures put in place by management.

RESOLVED:

- (a) That the report and work undertaken by management be noted; and
- (b) That the Committee endorse the need for the Internal Audit review to provide assurance on the new procedures.

55. MANAGEMENT OF INTERNAL AUDIT

Mr. P. Green of RSM Tenon Plc and the Internal Audit Manager left the meeting prior to discussion on this item.

The Head of Finance presented the report to seek the Committee's views on the management of Internal Audit following the current contract with RSM Tenon Plc which was due to end on 31 March 2013.

She explained the background and key considerations, outlining the list of options which had been detailed in the report.

Councillor J.B. Attridge proposed that the management of the Internal Audit service be delivered in-house, Option 2 listed in the report, which was seconded by Councillor R.B. Jones and agreed. Councillor A. Woolley requested that his vote against the proposal be noted.

RESOLVED:

That the Committee's view that the future management of Internal Audit from 1 April 2013 should be in-house be reported to Cabinet on 19 February 2013.

56. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were no members of the press or public in attendance.

(The meeting started at 10.00 am and ended at 1.00 pm)

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Chair

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 13 MARCH 2013**

REPORT BY: **CHIEF EXECUTIVE**

SUBJECT: **IMPROVEMENT ASSESSMENT LETTER (WAO)**

1.00 PURPOSE OF REPORT

- 1.01 To advise Audit Committee of the Council's Improvement Assessment Letter January 2013 from the Auditor General for Wales.
- 1.02 Audit Committee to note the report and agree the Council's Cabinet response.

2.00 BACKGROUND

- 2.01 The Auditor General is required by the Local Government (Wales) Measure 2009 (the Measure) to report any audit and assessment work which informs judgement as to whether a Council has discharged its duties and met the requirements of the Measure.
- 2.02 This is the second letter that the Council has received; The first letter was reported to Cabinet in December 2012 and summarised the Auditor General's views on i) the Council's compliance with requirements to make arrangements to secure continuous improvement, and ii) any relevant issues since the last Auditor General's report. There were no further recommendations or proposals for improvement.
- 2.03 This second letter covers an assessment of both the Council's Improvement Plan and the Annual Performance Report. It also comments on compliance with the Measure.
- 2.04 Reporting on the financial audit was undertaken by receipt of the Annual Audit Letter in November last year and presented to the Audit Committee in December.

3.00 CONSIDERATIONS

- 3.01 The letter summarises the Auditor General's views on:
- whether the Council has discharged its statutory duties in respect of improvement planning;

- whether the Council has discharged its statutory duties in respect of improvement reporting;
- views, and the views of relevant regulators, on the reliability of the Council's self-evaluation; and
- further proposals for improvement.

3.02 The full letter is attached at Appendix 1.

3.03 The Auditor General has made no new statutory recommendations but has proposed four proposals for improvement in the letter. These are as follows:

Improvement Planning

- P1 Within the context of its medium-term corporate planning, the Council should define a set of annual Improvement Objectives that encapsulates its ambitions for the year and communicate them in a form that enables the public to hold the Council to account for its performance.
- P2 Ensure that the Improvement Plan available to the public on the Council's website reflects any changes resulting from reviews during the year, and that any revised Plan includes a record of any such changes.

Improvement Reporting

- P3 Increase the use of relevant data to support the Council's evaluation of outcomes in relation to its Improvement Objectives
- P4 Improve the balance of the narrative supporting each assessment, drawing out the lessons learned from particularly successful work and from work that has not gone as well as intended.

3.04 As good practice, the Council always makes a full response. The response is attached at Appendix 2.

3.05 Both the letter and the Council's response have been reported to Cabinet on 19th February and will be reported to Corporate Resources Overview in March.

4.00 RECOMMENDATIONS

4.01 To advise Audit Committee of the Council's Improvement Assessment letter received from the Auditor General for Wales.

4.02 Audit Committee to note the report and agree the Council's Cabinet response.

5.00 FINANCIAL IMPLICATIONS

5.01 The letter has no direct implication in relation to finance.

6.00 ANTI POVERTY IMPACT

6.01 The letter has no direct implication in relation to poverty.

7.00 ENVIRONMENTAL IMPACT

7.01 The letter has no direct implication in relation to environmental impact.

8.00 EQUALITIES IMPACT

8.01 The letter has no direct implication in relation to equalities.

9.00 PERSONNEL IMPLICATIONS

9.01 The letter refers to the Council's work on implementing Single Status.

10.00 CONSULTATION REQUIRED

10.01 None required.

11.00 CONSULTATION UNDERTAKEN

11.01 Senior officers have had input into this report.

12.00 APPENDICES

12.01 **Appendix 1:** The Auditor General's Improvement Assessment Letter (January 2013)

Appendix 2: The Council's response to the Auditor General's Improvement Assessment Letter (January 2013)

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None

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Mr C Everett
Chief Executive
Flintshire County Council
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Reference	115A2013
Date	28 January 2013
Pages	1 of 7

Dear Colin

Improvement Assessment

This letter summarises the key conclusions arising from my work in respect of improvement planning and reporting under the Local Government (Wales) Measure 2009 (the Measure).

I am required to report my audit and assessment work in relation to whether Flintshire County Council (the Council) has discharged its duties and met the requirements of the Measure.

Further to my earlier Improvement Assessment letter of 25 October 2012, this letter summarises:

- my views on whether the Council has discharged its statutory duties in respect of improvement planning;
- my views on whether the Council has discharged its statutory duties in respect of improvement reporting;
- my views, and the views of relevant regulators, on the reliability of the Council's self-evaluation; and
- my further proposals for improvement.

Further to this I will undertake more detailed work on the arrangements that support the Council's performance management and reporting over the coming months.

I shall summarise all of my work and that of relevant regulators during 2012-13 and publish an Annual Improvement Report for the Council by the end of March 2013.

Improvement Planning

The Council has discharged its improvement planning duties under the Measure but it should ensure that it acts more in accordance with Welsh Government Guidance

I have reached this conclusion because:

- the 2012-13 Improvement Plan meets the requirements of the Measure in all but one respect; but
- aspects of the Improvement Plan's structure, content and publication arrangements do not promote public engagement with the Council's priorities as well as they might.

The 2012-13 Improvement Plan meets the requirements of the Measure in all but one respect

The Council published this year's Improvement Plan (the Plan) on its website in late October 2012. Following the May elections, the decision to defer the publication of the Plan enabled the Council to consider how its Improvement Objectives might better reflect the manifesto commitments of the new political leadership. While the Measure requires councils to publish their improvement plans as soon as possible after the beginning of the financial year, I reported in my October letter that the Council's approach in 2012 was reasonable and understandable.

The Plan sets out the Council's priorities for the period 2012-2017. These 10 priorities, which also represent the Council's Improvement Objectives, are wide-ranging. As required, each Improvement Objective complies with at least one of the seven 'aspects of improvement' described in the Measure. The Flintshire Local Service Board has endorsed the Council's Improvement Objectives as supporting the 'County Vision' as set out in the Community Strategy 2009-2019.

The Measure requires councils to report in their Improvement Plans their proposed actions in response to any statutory recommendations received during the preceding year. The Plan does not include this information in relation to the two recommendations contained in my January 2012 Annual Improvement Report. However, the required information is included in the Council's Annual Performance Report, published at the same time as the Plan.

Aspects of the Improvement Plan's structure, content and publication arrangements do not promote public engagement in the Council's priorities as well as they might

The Council's 10 Improvement Objectives are phrased in a way that reflects the Council's ambitions to improve outcomes for citizens over the five years to 2017. For example, the Council has said that it intends 'to protect and grow the local and regional economy, to be a prosperous County and to provide help and support for those vulnerable to poverty'. To support this and its other nine Improvement Objectives, the Council has defined 66 Secondary Priorities which set out in more detail the Council's intentions. These Secondary Priorities are described mainly in terms of actions that the Council plans to take, but each is supported by a small number of planned 'outcomes' and associated 'strategic targets' and 'key evidence'. Many of the targets are quantitative, referring, for example, to an increase or decrease in national or local performance indicators. However, in many cases, the Plan does not include enough information about current performance to enable councillors and readers of the Plan to hold the Council to account for its performance at the end of the year.

In producing a five-year plan, the Council has set out what it intends to achieve before the next local government elections in 2017. Longer-term planning such as this is clearly beneficial. The Plan aims to fulfil two functions; on the one hand, it is an internal management tool while, on the other, it aims to be a vehicle by which Flintshire citizens might better understand what the Council intends to achieve and hold it to account for doing so. In seeking to address these two aims, there is room for improvement in the presentation and content of the Plan.

Though it lacks certain information, the Plan contains more detail than is necessary in order to communicate effectively with citizens. The Council decided not to produce a summary of its Plan and, in doing so, missed an opportunity to engage with the public and to promote its aims and objectives more widely.

The Council acknowledges that, in any particular year, some of its Improvement Objectives will receive greater attention and priority than others. Given that the Measure requires councils to set their Improvement Objectives annually, the Council has agreed that it might usefully consider choosing fewer objectives from among its current priorities so that its focus in a single year is more sharply defined and to encourage citizens to engage more fully with the Council's planning and performance.

Improvement Reporting

The Council has discharged its improvement reporting duties under the Measure but it should ensure that it acts more in accordance with Welsh Government guidance

I have reached this conclusion because:

- the Annual Performance Report for 2011-12 meets the requirements of the Measure; but
- the Annual Performance Report makes too little use of data and other information to support a balanced narrative evaluation of the Council's work in addressing its Improvement Objectives.

The Annual Performance Report for 2011-12 meets the requirements of the Measure

The Council published its Annual Performance Report (the Report) in English and Welsh on its website ahead of the statutory 31 October deadline. Meeting this deadline represents an improvement on last year and partly addresses one of my previous proposals for improvement.

As is required, the Report provides the Council's assessment of its performance against the Improvement Objectives set in the 2011-12 Improvement Plan. The Report includes an explanation of how its content contributes to the Council's statutory duty to 'make arrangements to secure continuous improvement and account for it'.

The Report also includes, as required, an account of the Council's performance as measured by the full set of statutory performance indicators and a range of non-statutory indicators. The data enable readers to judge the Council's performance against the average performance of other councils in Wales and in relation to the Council's own past performance. Flintshire's performance in 2011-12 was better than the national average in over two-thirds of the statutory and non-statutory national indicators. The Council's performance shows an improvement in 28 (72 per cent) of the 39 national performance indicators for which comparison with previous years is possible.

The Annual Performance Report makes too little use of data and other information to support a balanced narrative evaluation of the Council's work in addressing its Improvement Objectives

The Report provides a clear overall assessment, using a 'Red, Amber, Green' (RAG) colour coding, of how well the Council considers that it performed during 2011-12 against each of its 10 Improvement Objectives. Two RAG assessments for each Improvement Objective distinguish helpfully between 'progress' and 'outcomes'. The two overall RAG assessments for each Improvement Objective are underpinned by similar assessments for each of the 61 'Improvement Activities' associated with the Improvement Objectives.

A further RAG assessment of the risks associated with each Improvement Objective contributes to the overall picture, along with a report of any performance indicators associated with each Improvement Objective.

The Council's overall assessment of its performance against each Improvement Objective is broadly consistent with its assessment of the success or otherwise of the contributory improvement activities. However, the narrative in support of each assessment tends to focus too heavily on success; even in those objectives and activities rated as amber, it is difficult for the reader to understand what has been less successful than planned and the lessons that might be learned as a result. The narrative also refers almost exclusively to activity rather than outcomes. As a result, the Council's RAG assessments of the 'outcomes' of its work during the year are not fully supported by the evidence in the Report.

The Council acknowledges in the introduction to the Report that, in its 2011-12 Improvement Plan, the quantitative success measures associated with its Improvement Objectives were limited to a small number of national performance indicators. The Report on performance in 2011-12 reflects the 2011-12 Plan; the measures and improvement targets associated with each Improvement Objective do not, in general, reflect the breadth of ambition implied by the wording of the Objective. None of the measures reported relate, for example, to customer satisfaction or other data stemming from the Council's engagement with its citizens.

The Report is a long and detailed document. Though clearly written on the whole, it does not enable the reader to grasp readily a succinct evaluation of what the Council intended to achieve during the year, the resulting benefits to the public and what needs to be improved in future. The Council has produced a summary report, which is much shorter than the full Report. However, the summary does not succeed in fully overcoming the weaknesses in the full Report as outlined above.

The Report does not, therefore, do as much as it should to enable the Flintshire public to hold the Council to account for its performance. This accountability is further limited by the fact that the Council, in reviewing its work during the year, made changes to its plans and targets, which were not then incorporated into the version of the 2011-12 Improvement Plan published on its website. This process of review and, where necessary, modification of plans represents sound practice. However, readers making a detailed comparison of the Annual Performance Report against the Improvement Plan would find misleading and unhelpful discrepancies between the two documents.

The Council is able to produce balanced, well-evidenced self-evaluations of specific services but its Annual Performance Review is less robust

Social Services and education have produced mature service-specific analyses of their performance, but this maturity is not fully replicated in the Council's Annual Performance Report

The Care and Social Services Inspectorate Wales (the CSSIW) has judged that the annual report written by the Council's Director of Social Services provides a comprehensive and accurate account of the service's performance in 2011-12. The CSSIW also said that, in its self-evaluation, the Council had carefully aligned its evidence to support its evaluation, which was increasingly outcome-focused with measurable targets, underpinned by clearly-defined timescales and lines of accountability for delivery.

Similarly, in October 2011, Estyn described the Council's self-evaluation process with regard to its education services for children and young people as 'adequate' (strengths outweigh areas for improvement). Estyn reported that much of the Council's self-evaluation report was evaluative and used a range of evidence, including appropriate data. As a shortcoming, Estyn found that the Council had not included other stakeholders and agencies or young people well enough in making judgements about quality and standards.

However, within the Council's Annual Performance Report, the evaluations of those Improvement Objectives to which Social Services and education services contribute most extensively are, as described earlier, too focused on activity rather than on outcomes. They offer the reader too little insight into those aspects that have been less successful than planned.

The Council's on-going review of its governance arrangements is wide-ranging and well-evidenced

The Council is undertaking a self-evaluation of its governance, as well as its strategic and service performance and the performance of partnerships to which it contributes. We continue to provide support and challenge to this work and will provide feedback in due course. At the time of drafting this letter, the Council's leadership has yet to decide how best to involve councillors fully in the self-evaluation. However, our early impressions suggest that officers have drawn on a wide range of evidence thus far.

The accuracy of the Council's performance data has improved but there remains scope to improve the use of data in the Council's self-evaluation

I proposed in my 2012 Annual Improvement Report that the Council should improve quality assurance arrangements to ensure that data used to support performance management is accurate and robust.

In July 2012, we reported the results of our audit of the accuracy of a sample of the Council's performance indicators. Though our sample was smaller this year than in the past, the results were encouraging. This year, we qualified none of the Council's performance indicators and we amended only one indicator. The robustness of performance data represents a key building block in enabling the Council and its citizens to place reliance on the Council's assessment of its own performance. However, we have referred earlier in this letter to areas in which the Council might improve and extend the way in which it uses data to evaluate its performance and improve the management of services.

Further proposals for improvement

We suggest four new proposals for improvement in this letter. We will continue, as necessary, to monitor and report on the progress made by the Council in implementing these proposals and others set out in my previous reports and letters.

Proposals for improvement

Improvement Planning

- P1 Within the context of its medium-term corporate planning, the Council should define a set of annual Improvement Objectives that encapsulates its ambitions for the year and communicate them in a form that enables the public to hold the Council to account for its performance.
- P2 Ensure that the Improvement Plan available to the public on the Council's website reflects any changes resulting from reviews during the year, and that any revised Plan includes a record of any such changes.

Improvement Reporting

- P3 Increase the use of relevant data to support the Council's evaluation of outcomes in relation to its Improvement Objectives.
- P4 Improve the balance of the narrative supporting each assessment, drawing out the lessons learned from particularly successful work and from work that has not gone as well as intended.
-

Yours sincerely



Huw Vaughan Thomas
Auditor General for Wales

Cc Carl Sargeant, Minister for Local Government and Communities

Wales Audit Office Improvement Assessment Letter 2013

Cabinet Response

A: Formal Recommendations

There were no statutory formal recommendations made in the letter.

B: Proposals for Improvement

The Council has the discretion to adopt the proposals made in the letter.

Ref	Proposal for Improvement	Response
P1	Improvement Planning Within the context of its medium-term corporate planning, the Council should define a set of annual Improvement Objectives that encapsulates its ambitions for the year and communicate them in a form that enables the public to hold the Council to account for its performance	The Council will be publishing its Improvement Plan 2013-2017 early in the new financial year of 2013/14. Within the Plan the Council will highlight the priorities of greatest importance for the year. This will meet the proposal to improve public accountability. A public summary will be published on the Council's website and distributed to partners and stakeholders.
P2	Improvement Planning Ensure that the Improvement Plan available to the public on the Council's website reflects any changes resulting from reviews during the year, and that any revised Plan includes a record of any such changes.	Progress against the Improvement Plan is reported to Cabinet on a twice yearly frequency. The Plan, where amended in year, will be refreshed on the website with a 'log' of any in-year changes.
P3	Improvement Reporting Increase the use of relevant data to support the Council's evaluation of outcomes in relation to its Improvement Objectives.	The Council will continue to develop its data set to inform reporting against its priorities (Improvement Objectives). This is work in progress. The Council will review how it uses this data and other information/evidence to provide a comprehensive and balanced narrative. The Wales Audit Office is invited to contribute to improving the internal business model.
P4	Improvement Reporting Improve the balance of the narrative supporting each assessment, drawing out the lessons learned from particularly successful work and from work that has not gone as well as intended.	

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 13 MARCH 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **ANNUAL FINANCIAL AUDIT OUTLINE 2012/13**

1.00 PURPOSE OF REPORT

1.01 To provide the Audit Committee with the Annual Financial Audit outline for the audit of the Council's accounts for 2012/13 and those of the Clwyd Pension Fund.

2.00 BACKGROUND

2.01 Under the provisions of the Public Audit (Wales) Act 2004 the Auditor General is responsible for appointing external auditors (Appointed Auditors) to local government bodies.

3.00 CONSIDERATIONS

3.01 This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides Flintshire County Council (the Council) with an outline of the financial audit work required for the 2012/3 financial statements. It has been prepared by John Herniman on behalf of the Appointed Auditor.

3.02 The Appointed Auditor is required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council, satisfying himself that the accounts:

- Give a true and fair view of the Council financial position
- Comply with all relevant legislative requirements; and
- Have been prepared in accordance with proper accounting practices.

3.03 The Appointed Auditor is also required to:

- Satisfy himself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.

- 3.04 The outline for the Flintshire County Council element of the work is attached at Appendix 1.
- 3.05 The outline for the Clwyd Pension Fund is attached at Appendix 2.
- 3.06 A programme is being agreed with the Wales Audit Office for the annual audit which will commence in July.
- 3.07 The draft financial statements will be reported to the Audit Committee in July 2013.
- 3.08 The final audited accounts for Flintshire and the Clwyd Pension Fund will be considered by the Audit Committee for recommendation to Council before the deadline of 30th September 2013.

4.00 RECOMMENDATIONS

- 4.01 The Audit Committee is requested to note the report.

5.00 FINANCIAL IMPLICATIONS

- 5.01 The proposed fee for 2012/13 financial audit work is £215,976 (plus VAT). This fee is in line with the Auditor General's fees letter and is based on the zero-based fee model for financial audit.
- 5.02 Overall, the 2012/13 financial audit fee, on the equivalent element of the Appointed Auditors' responsibilities, has been set at the same level as the 2011/12 fee.
- 5.03 In addition to the main audit, the Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken in relation to the audit of grants. Grant and return certification work is charged on a daily basis in line with the skill-related fee scales set out in the Auditor General's local government fees letter. Although grant work fluctuates from year to year, it is estimated that the total fee for grant work will be in the range of between £115,000 and £140,000.
- 5.04 The fees for the Clwyd Pension Fund work are charged directly to the Fund.

6.00 ANTI POVERTY IMPACT

- 6.01 There are no direct implications in relation to this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 There are no direct implications in relation to this report.

8.00 EQUALITIES IMPACT

8.01 There are no direct implications in relation to this report.

9.00 PERSONNEL IMPLICATIONS

9.01 There are no direct implications in relation to this report.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

Appendix 1: "Financial Audit Outline Flintshire County Council"

Appendix 2: "Financial Audit Outline - Clwyd Pension Fund"

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

As Appendix 1 and 2.

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WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Annual Financial Audit Outline

Flintshire County Council

Audit year: 2012-2013

Issued: March 2013

Document reference: 150A2013

Status of document

This document has been prepared for the internal use of Flintshire County Council as part of work performed/to be performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

To the maximum extent permitted by law, the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor do not accept any liability for losses incurred by any member, officer or other employee in their individual capacity, or any third party arising from use of this document.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

This document was produced by John Herniman and Amanda Hughes

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Annual Financial Audit Outline

Roles and responsibilities

1. This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides Flintshire County Council (the Council) with an outline of the financial audit work required for the 2012-13 financial statements.
2. Under the provisions of the Public Audit (Wales) Act 2004, the Auditor General is responsible for appointing external auditors (appointed auditors) to local government bodies.
3. As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council, in accordance with professional standards that apply by virtue of the Code of Audit Practice set under the act. This involves giving an opinion on whether the accounts give a true and fair view of the Council's financial position and of its income and expenditure for the year. The act also requires me to satisfy myself of these things:
 - that the accounts are prepared in accordance with regulations under section 39 of the act (the Accounts and Audit (Wales) Regulations 2005);
 - that the accounts comply with the requirements of all other statutory provisions applicable to them;
 - that proper practices have been observed in the compilation of the accounts; and
 - that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
4. I am also required to certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.
5. The audit does not relieve the Council of its responsibility to:
 - establish systems of internal control to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
 - maintain proper accounting records;
 - prepare a Statement of Accounts in accordance with relevant requirements; and
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
6. The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts.
7. The key elements of the audit are set out in [Appendix 1](#).
8. A separate document, *the Auditor General's Regulatory Programme for Performance Audit*, will be issued setting out the work to be delivered by the Auditor General under the Local Government (Wales) Measure 2009.
9. A separate Annual Financial Audit Outline for the audit of the 2012-13 accounts of the Clwyd Pension Fund will be issued.

-
10. The Auditor General is required to certify certain grant claims and returns. The Appointed Auditor, acting as an agent of the Auditor General, undertakes the audit work relating to those claims and returns.

The audit approach

The audit team

11. Information regarding the financial audit team is provided in [Appendix 2](#).

Audit of financial statements

12. I understand that internal controls are designed, implemented and maintained by the Council to address identified business risks that threaten the achievement of an audited body's objectives regarding:
- the reliability of its financial reporting;
 - the effectiveness and efficiency of its operations; and
 - its compliance with applicable laws and regulations.
13. I will:
- assess the effectiveness of high-level internal controls and key system-level internal controls in preventing and detecting material errors in the accounting statements;
 - assess the effectiveness of Internal Audit;
 - review and seek to place reliance upon work undertaken by Internal Audit, as appropriate; and
 - develop substantive procedures to respond to risks of material misstatement in the accounting statements.
14. I do not seek to obtain absolute assurance that the financial statements and related notes are true and fair, but adopt the concept of materiality. Therefore, in planning and conducting the audit, I seek to identify material misstatements in the accounting statements and related notes, that is, those that might result in a reader of the accounts being misled.
15. The levels at which I judge such misstatements to be material will be reported in my report to the Council prior to completion of the audit.

Risks of material misstatement in the accounting statements

16. **Exhibit 1** provides information regarding the main operational and financial risks faced by the Council that could affect my audit. These are the main risks that I have identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. I may need to change the audit plan if any new risks emerge. I will not make any changes to the audit plan without first discussing them with officers and, where relevant, those charged with governance.

Exhibit 1: Summary of main audit risks and proposed responses

Risks	Action proposed
Control environment risks	
<p>Overall Risk that financial management and governance controls are insufficient, or are not operating as intended. In particular, the Council continues to face significant financial pressures within the wider difficult economic climate.</p>	<p>We will assess the robustness of the Council's arrangements for:</p> <ul style="list-style-type: none"> ensuring effective budgetary control and financial planning; and providing internal audit coverage which meets the professional standards set by The Chartered Institute of Public Finance and Accountancy (CIPFA).
Financial systems risks	
<p>Overall</p> <ul style="list-style-type: none"> Risk that the Council's high level financial controls are not designed or operating effectively to prevent and detect material misstatements in the financial statements. 	<p>We will review the design and test the operation of high level controls in the:</p> <ul style="list-style-type: none"> main accounting system; budgetary control system; and the accounts preparation process.
Preparation of the accounts risks	
<p>Overall Risk that changes to the financial statements to comply with the 2012-13 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), may be incorrectly completed.</p>	<p>We will review the draft financial statements to ensure that it has been prepared, in all material respects, in accordance with the Code.</p>

Risks	Action proposed
<p>Issues arising from my previous audits</p> <p>There are a number of risks arising from issues raised in my previous audits where improvements were required. In particular, the need to:</p> <ul style="list-style-type: none"> ensure that the various issues resulting in the extensive restatement of noncurrent assets in 2011-12 are resolved in the preparation of the 2012-13 accounts ; ensure that the financial statements contain all the necessary disclosures required by the Code of Practice on Local Authority Accounting; clear the remaining balancing entries contained within the financial statements; and make sure that all Council members submit details of related party interests to ensure that the related party disclosure note is complete. 	<p>We will:</p> <ul style="list-style-type: none"> assess the controls in place during 2012-13 and conduct audit testing to consider their design, existence and maintenance; and conduct follow-up work in respect of recommendations arising from our previous audits.
<p>Financial statements risks</p>	
<p>Overall</p> <p>Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure.</p>	<p>We will undertake a programme of audit testing to address risks identified as part of our planning work and review of the draft financial statements.</p>
<p>Single Status and Equal Pay</p> <p>Risk that the accounting provision for potential liabilities associated with single status and equal pay issues is incorrectly stated.</p>	<p>We will review the level of accounting provision to ensure that the accounting estimate is reasonable.</p>
<p>Accounting for obligations relating to Landfill Sites</p> <p>Where a local authority operates or has operated landfill sites for which it has a responsibility, there is a duty to restore the site and undertake appropriate aftercare and monitoring for several decades after closure. As a result, financial obligations arise and these must be recognised in the Council's financial statements.</p> <p>There is a risk that insufficient accounting provision is set aside for the liabilities associated with landfill sites.</p>	<p>We will obtain an understanding of the Council's responsibilities in relation to landfill sites and consider whether the authority has made appropriate accounting provision within its financial statements.</p>

Risks	Action proposed
<p>Joint committees, pooled budgets and collaboration</p> <p>The Council is working collaboratively with other organisations in a number of areas and leads some projects e.g. the North Wales Residual Waste Joint Committee.</p> <p>Based on our work in 2011-12, there are potential risks (e.g. financial, reputational, governance) to the Council if it does not effectively manage these relationships and account for them correctly in its Accounts.</p>	<p>I will review the Council's processes and systems to collaborate with others.</p> <p>I will also review the accounting and disclosures made in respect of such arrangements to ensure compliance with the Code for 2012-13.</p>

Use of resources

17. To discharge my responsibilities regarding the arrangements that the Council has established to secure economy, efficiency and effectiveness in its use of resources, I shall place reliance upon:
- the results of the audit work undertaken on the financial statements;
 - the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
 - the results of work carried out by the Auditor General, including work carried out under the Local Government (Wales) Measure 2009, certification of claims and returns, and data-matching exercises;
 - the results of the work of other external review bodies where relevant to my responsibilities; and
 - any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

Reporting

18. The Code of Audit Practice issued by the Auditor General requires appointed auditors to comply with relevant auditing and ethical standards. These standards require formal reporting at various stages during the audit to those charged with governance.
19. In particular, auditors must report:
- relationships that may affect the auditor's independence;
 - audit planning information; and
 - certain matters to those charged with governance (as distinct from management) before they give an opinion on the financial statements.
20. **Appendix 1** highlights the key elements of the audit engagement at the Council, and I confirm that there are no known threats to my independence as Appointed Auditor or on the independence of staff or contractors working for me.
21. This document provides information regarding the planning of the audit.

-
- 22. I will submit reports to the Audit Committee, and where necessary, to the Cabinet/Council in a timely manner.
 - 23. I will provide other reports or output as agreed. The key milestones are set out in [Exhibit 2](#).

Exhibit 2: Key milestones

Planned output	Planned start date	Report finalised
Annual Financial Audit Outline	February 2013	March 2013
Annual Assessment of Internal Audit	May 2013	June 2013
Audit of Financial Statements (ISA 260) Report	August 2013	September 2013
Audit Opinion on the 2012-13 Financial Statements	September 2013	September 2013
Annual Audit Letter	October 2013	November 2013

Audit fee

- 24. The proposed fee for 2012-13 financial audit work is £215,976 and will be charged in equal instalments between November 2012 and October 2013. This fee is set at the same level as in 2011-12 and is in line with the Auditor General’s fees letter and is based on the zero-based fee model for financial audit. We have recently received a ruling from HMRC regarding changes in the VAT status of the Auditor General, which will take effect from 1 April 2013. We are currently liaising with HMRC regarding the precise scope of this ruling and will shortly be writing to you separately to explain the implications of this ruling.
- 25. In previous years, there have been no formal objections to the Council’s financial statements. However, I do receive a number of queries and items of correspondence from members of the public and other interested parties. A small amount of time has been included within the fee to deal with minor queries, as part of the overall management of the audit.
- 26. Any detailed investigations or other work required to respond to queries and objections will result in an additional fee. Any such additional fee will be charged at daily rates based on the specific grade or skill mix required for the work, but will be discussed with the Council, prior to undertaking the work.
- 27. The Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken. Grant and return certification work is charged on a daily basis in line with the skill-related fee scales set out in the Auditor General’s local government fees letter. The fees will reflect the size, complexity and particular issues relating to the specific grants.

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- 28.** Although grant certification work fluctuates from year to year, based on past experience and initial indications of changes in grant schemes and conditions, I estimate that the total fee for grant work will be in the range of £115,000 to £145,000.

Appendix 1

Key elements of the audit engagement

Key elements	Requirements	Position at the [Council/Authority]
Engagement activities		
Terms of the audit engagement	The Public Audit (Wales) Act 2004 sets out responsibility for appointment of local government external auditors in Wales.	Roles and responsibilities of appointed auditors are outlined above and in this appendix. The full Statement of Responsibilities can be found at: http://www.wao.gov.uk/assets/english/documents/statement_of_responsibilities_of_auditors_eng.pdf
Appointment of auditors and engagement leads	It is the Auditor General's responsibility to appoint local government external auditors and to assign responsibility for each engagement to an engagement lead.	Details of the Appointed Auditor and the Engagement Lead are provided in Appendix 2 of this document.
Discretionary work by agreement	The Auditor General has set out clear criteria for approval of any discretionary work requested by audited bodies.	No discretionary agreement work has been requested or is proposed.
Ethical considerations		
Independence	Appointed auditors are required to consider the following: <ul style="list-style-type: none"> • threats to auditor independence (including litigation); • family and other personal relationships; • long association with the audited body (see Wales Audit Office rotation of audits policy); and • contentious or difficult issues. 	I can confirm that there are no known threats to my independence as the Appointed Auditor or to the independence of staff or contractors working for me, and I have complied with the Wales Audit Office rotation policy. In instances where other audit staff have relations with the Council mitigating arrangements will be put in place to ensure independence is maintained.
Engagement performance	Engagement leads need to consider what level of quality assurance and review levels are appropriate.	Wales Audit Office quality control review mechanisms are in place for the audit, and the Engagement Lead has established appropriate review levels based on the experience of the staff undertaking the audit work.

Appendix 2

Financial audit team

The Appointed Auditor is Anthony Barrett, the audit team are:

Name	Role	Contact number	E-mail address
John Herniman	Financial Audit Engagement Lead	029 2032 0500	john.herniman@wao.gov.uk
Amanda Hughes	Audit Manager	01244 525970	amanda.hughes@wao.gov.uk
Ron Parker	Financial Audit Team Leader	01244 525970	ron.parker@wao.gov.uk



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WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Annual Financial Audit Outline

Clwyd Pension Fund

Audit year: 2012-13

Issued: March 2013

Document reference: 154A2013

Status of document

This document has been prepared for the internal use of Clwyd Pension Fund as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

To the maximum extent permitted by law, the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor do not accept any liability for losses incurred by any member, officer or other employee in their individual capacity, or any third party arising from use of this document.

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This document was produced by John Herniman.

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Annual Financial Audit Outline

Roles and responsibilities

1. Flintshire County Council (the Council) is the administering authority of the Clwyd Pension Fund (the Pension Fund). This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the 2012-13 Pension Fund accounts.
2. Under the provisions of the Public Audit (Wales) Act 2004, the Auditor General is responsible for appointing external auditors (appointed auditors) to local government bodies.
3. As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Pension Fund. In accordance with professional standards that apply by virtue of the Code of Audit Practice set under the act, this involves giving an opinion on whether the accounts give a true and fair view of the Pension Fund's financial transactions and of the amount and disposition of the fund's assets and liabilities. The act also requires me to satisfy myself of these things:
 - that the accounts are prepared in accordance with regulations under section 39 of the act (the Accounts and Audit (Wales) Regulations 2005);
 - that the accounts comply with the requirements of all other statutory provisions applicable to them; and
 - that proper practices have been observed in the compilation of the accounts.
4. I am also required to certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.
5. The audit does not relieve the Council of its responsibility regarding the Pension Fund to:
 - put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
 - maintain proper accounting records;
 - prepare accounts in accordance with relevant requirements; and
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
6. The key requirements of the Auditor General and the Appointed Auditor are set out in [Appendix 1](#).

The audit approach

7. Information regarding the financial audit team is provided in [Appendix 2](#).

Audit of Pension Fund accounts

8. I understand that internal controls are designed, implemented and maintained by the Pension Fund to address identified business risks that threaten the achievement of an audited body's objectives regarding:
 - the reliability of its financial reporting;
 - the effectiveness and efficiency of its operations; and
 - its compliance with applicable laws and regulations.
9. I will:
 - assess the effectiveness of high-level internal controls and key system-level internal controls in preventing and detecting material errors in the accounting statements;
 - assess the effectiveness of Internal Audit;
 - review and seek to place reliance upon work undertaken by Internal Audit where appropriate; and
 - develop substantive procedures to respond to risks of material misstatement in the Pension Fund accounts.
10. I do not seek to obtain absolute assurance that the Pension Fund accounts and related notes are true and fair, but adopt a concept of materiality. Therefore in planning and conducting the audit, I seek to identify material misstatements in the Pension Fund accounts and related notes, that is, those that might result in a reader of the accounts being misled.
11. The levels at which I judge such misstatements to be material will be reported in my report to those charged with governance for the Council as a whole (the Audit Committee) prior to completion of the audit.

Risks of material misstatement in the Pension Fund accounts

12. **Exhibit 1** provides information regarding the main operational and financial risks faced by the Pension Fund that could affect my audit. These are the main risks that I have identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. I may need to change the audit plan if any new risks emerge. I will not make any changes to the audit plan without first discussing them with officers and, where relevant, those charged with governance.

Exhibit 1: Summary of main audit issues and proposed responses

Issues	Action proposed
Control environment risks	
<p>Local Government Pension Schemes are required to produce compliance statements. These statements form part of the overall governance arrangements of the authority. There is a risk that the authority fails to keep the statement under review and, as a result, that its Annual Governance Statement does not appropriately cover the Pension Fund's governance arrangements.</p>	<p>We will review the content of the Annual Governance Statement and ensure that its contents are not inconsistent with our knowledge and understanding of the authority's governance arrangements, including those arrangements covering the pension fund.</p>
<p>Although the Finance Function Review is now complete, populating the new organisation structure is still ongoing. Whilst the process continues, there is a risk that there is insufficient capacity or changes within the pensions department to administer the scheme and deliver the draft financial statements to the required standard and agreed timetable.</p>	<p>We will review the Council's accounts closedown procedures and will liaise regularly with the Head of Pensions to identify any capacity issues and risks to the accounts production and certification timetable being achieved.</p>
Financial systems/preparation of accounts risk	
<p>A new pensions' administration system (Altair) has been introduced for the 2012-13 financial year.</p>	<p>We will review the scope and findings of Internal Audit's review in respect of the implementation of the new system. Our IT specialist will also review the IT control environment in relation to the new system.</p>
Financial statements risks	
<p>As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments (approximately £228 million in 2011/12). These are accounted for at fair value determined by valuations provided by fund managers.</p>	<p>We will assess the value of private equity investments and whether the information provided adequately supports the year-end valuation.</p>
<p>External investment managers are appointed to manage the investment portfolio. Their own systems and records will generate account entries made to the Pension Fund account and net assets statement.</p>	<p>We will obtain direct confirmation from the fund managers of year-end investment balances, and consider whether investment managers' internal control reports indicate specific risks to these balances.</p>

Issues	Action proposed
<p>The Local Government Pension Scheme Regulations 2009 made some significant changes to the Regulations that were previously in place.</p> <p>Prior to 1 April 2010, under the 1998 Regulations, administering authorities could borrow money from the pension fund to meet their financing needs.</p> <p>Many administering authorities pool their pension fund cash surpluses with the authority's own money for the purposes of making an investment.</p> <p>Specific issues arising during the 2011-12 audits of pension funds in Wales have shown that there is uncertainty as to whether such pooling arrangements are in accordance with regulation 3(4) of the 2009 regulations.</p>	<p>We will review the pension fund's cash flow management and investment procedures and review compliance with the pension fund's statement of principles to ensure that they comply with the requirements of the 2009 regulations.</p> <p>We will also review the Council's treasury management practices and procedures to ensure consistency of implementation with the pension fund.</p>

Reporting

13. The Code of Audit Practice issued by the Auditor General requires appointed auditors to comply with relevant auditing and ethical standards. International Standards on Auditing (ISAs) require formal reporting at various stages during the audit to those charged with governance.
14. In particular, auditors must report:
 - relationships that may affect the auditor's independence;
 - audit planning information; and
 - certain matters to those charged with governance (as distinct from management) before they give an opinion on the financial statements.
15. **Appendix 1** highlights the key elements of the audit engagement at the Pension Fund, and I confirm that there are no known threats to my independence as Appointed Auditor or on the independence of staff or contractors working for me.
16. This document provides information regarding the planning of the audit.
17. I will submit reports to the Audit Committee and where necessary, to the Cabinet/Council in a timely manner.
18. I will provide other reports or outputs as agreed. The key milestones are set out in **Exhibit 2**.

Exhibit 2: Key milestones

Planned output	Planned start date	Report finalised
Annual Financial Audit Outline	February 2013	March 2013
Audit of Financial Statements (ISA 260) Report	July 2013	September 2013
Audit Opinion on the 2012-13 Financial Statements	September 2013	September 2013

Audit fee

19. The proposed fee for 2012-13 financial audit work is £35,000 (plus VAT) and will be charged in equal instalments between November 2012 and October 2013. This fee is in line with the Auditor General's fees letter and is based on the zero-based fee model for financial audit. We have recently received a ruling from HMRC regarding changes in the VAT status of the Auditor General which will take effect from 1 April 2013. We are currently liaising with HMRC regarding the precise scope of this ruling and will shortly be writing to you separately to explain the implications of this ruling.
20. The 2012-13 financial audit fee has therefore not changed from my 2011-12 fee of £35,000.

Other matters

Pension Fund annual report

21. In addition to including the Pension Fund accounts in their main Statement of Accounts, administering authorities are required to publish a Pension Fund annual report which must include the Pension Fund accounts.
22. I am required to read the Pension Fund annual report and consider whether the information it contains is consistent with the Pension Fund accounts.
23. I also issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts included in the administering authority's Statement of Accounts.

Appendix 1

Key elements of the audit engagement

Key elements	Requirements	Position at the Pension Fund
Engagement activities		
Terms of the audit engagement	The Public Audit (Wales) Act 2004 sets out responsibility for appointment of local government external auditors in Wales.	Roles and responsibilities of appointed auditors are outlined above. The full Statement of Responsibilities can be found at: http://www.wao.gov.uk/assets/english_documents/statement_of_responsibilities_of_auditors_eng.pdf
Appointment of auditors and engagement leads	It is the Auditor General's responsibility to appoint local government external auditors and to assign responsibility for each engagement to an engagement lead.	Details of the Appointed Auditor and the Engagement Lead are provided in Appendix 2 of this document.
Discretionary work by agreement	The Auditor General has set out clear criteria for approval of any discretionary work requested by audited bodies.	No discretionary agreement work has been requested or is proposed.
Ethical considerations		
Independence	Appointed auditors are required to consider the following: <ul style="list-style-type: none"> • threats to auditor independence (including litigation); • family and other personal relationships; • long association with the audited body (see Wales Audit Office rotation of audits policy); and • contentious or difficult issues. 	I can confirm that there are no known threats to my independence as the Appointed Auditor or to the independence of staff or contractors working for me, and I have complied with the Wales Audit Office rotation policy.
Engagement performance	Engagement leads need to consider what level of quality assurance and review levels are appropriate.	Wales Audit Office quality control review mechanisms are in place for the audit, and the Engagement Lead has established appropriate review levels based on the experience of the staff undertaking the audit work.

Appendix 2

Financial audit team

Name	Role	Contact number	E-mail address
Anthony Barrett	Appointed Auditor	029 2032 0500/ 012 4452 5970	Anthony.barrett@wao.gov.uk
John Herniman	Financial Audit Engagement Lead	02920 320556	John.herniman@wao.gov.uk
Phil Pugh	Audit Manager	01352 702185	Phil.pugh@wao.gov.uk
Ron Parker	Financial Audit Team Leader	01352 702185	Ron.Parker@wao.gov.uk



WALES AUDIT OFFICE

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **13 MARCH 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **TREASURY MANAGEMENT UPDATE 2012/13**

1.00 PURPOSE OF REPORT

1.01 To provide members with a quarterly update on matters relating to the Council's 2012/13 Treasury Management Policy and Strategy Statement up to the end of February 2013.

2.00 BACKGROUND

2.01 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies.

2.02 The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.

3.00 CONSIDERATIONS

Treasury Management 2012/13 Update

Economic context

3.01 There has been little change to economic conditions since the last update in January 2013, with the economy remaining subdued, the base interest rate low at 0.5% and expected to stay that way for the foreseeable future.

Mark Carney, the incoming Governor of the Bank of England appeared before the Treasury Select Committee in early February. His testimony suggested that when he takes over in July, with regards to monetary policy, evolutionary change is expected rather than revolutionary change. He appeared keen to provide guidance on the future path for interest rates which should help reduce uncertainty for households and businesses.

Investments update

- 3.02 A statement setting out the Council's investments as at 22nd February 2013 is attached at Appendix A, and shows an investment balance of £66.6m spread across 17 counterparties.
- 3.03 The Council's self-imposed three month maximum term for investments was lifted in January 2013. Since then, a number of investments with terms in excess of three months have been taken out with building societies as detailed below:

Invested	Counterparty	Term	Interest Rate
£2m	Nottinghamshire BS	9 months	0.72%
£1m	Nottinghamshire BS	8 months	0.61%
£1.5m	Nationwide BS	7 months	0.62%
£2.3m	Leeds BS	6 months	0.52%
£2m	National Counties BS	12 months	1.20%

All such investments have been made with building societies rather than banks as currently banks are very liquid with no requirement for local authority cash.

Borrowing update

- 3.04 Officers, in conjunction with Arlingclose, the Council's treasury management advisors continue to review and assess debt restructuring options that may provide an opportunity for the Council to repay some of its higher interest rate debt or deliver savings by replacing existing debt with new loans at lower interest rates.

Arlingclose have recently provided a debt restructuring proposal which is currently being assessed to establish its viability over the short, medium and longer term given current forecasts for interest and inflation rates. Further updates on the outcome of this particular proposal will be given in future Audit Committee updates.

Responses to questions arising from previous TM update report

- 3.05 At the January Audit Committee meeting Members were keen to explore the feasibility of the Council pooling its surplus cash to invest with other local authorities and town and community councils in order to access higher interest rates.

Officers have made enquiries with various brokers, unfortunately this is not considered a viable option currently for the following reasons:

- There is no market currently for this kind of investment. The size of the investment needed to generate enough return to make such an investment worthwhile are usually only accepted by major banks such as HSBC and Standard Chartered, both of whom are not currently seeking funding from Local Authorities.

- Differing Investment strategies, policies and appetites to risk from one organisation to another.
- Likely inconsistent counterparty lists might make selecting a suitable counterparty difficult.
- Ensuring that reliable cash flow forecasting is in place in each organisation so that funds can be invested for a long enough period to make the investment worthwhile.
- The legality of such transactions would need to be appreciated and investigated in full as there would be a requirement for one central bid, and as such one organisation to take the lead. As all investments carry an element of risk, in the unlikely event of a default arrangements would have to be in place to manage such a situation.

3.06 The Council subscribes to CIPFAs Treasury Management Network, Officers attend regional and national practitioner groups, all of which provide opportunities to discuss collaboration and share best practice with other Local Authorities.

Officer and Member training

3.07 In mid January, officers attended a CIPFA facilitated Treasury Management training event in London. The training provided an overview of Treasury Management in Local Government, an economic update from Lloyds' Chief Economist and guidance on preparing an effective Investment Strategy.

Officers are planning to attend a half day CIPFA Treasury Management closedown masterclass in early March, in preparation for the closure of the 2012/13 accounts.

3.08 A member training session covering all aspects of local government treasury management was held at the end of January. The training was open to all members, provided an introduction to treasury management and explained in more detail debt management, investment management and member scrutiny of treasury management.

The training was facilitated by the Council's treasury management advisors Arlingclose and tailored specifically to the treasury management strategies of the Council.

Handover arrangements

3.09 Previous Audit Committee updates have informed Members of the ongoing transfer of the Treasury Management function into Corporate Finance, as part of the Finance Function Review.

This transfer has been carefully managed to ensure continuity of service and is now complete. The Clwyd Pension Fund Manager will continue to be available to discuss treasury matters as they arise as part of his role on the Finance Management Team.

Contract for treasury management advice

- 3.10 The Council's contract for treasury management advice with Arlingclose expires in May 2013 which includes an option to extend the contract for a further 2 years. The Head of Finance has decided to proceed with the extension given the need for stability in the treasury management function; following the recent transfer of the function between Finance departments, and the acquisition of Sterling (the Council's previous treasury management advisors) by Arlingclose.

2013/14 Treasury Management Strategy

- 3.11 The Council approved the Treasury Management Strategy 2013/14, Treasury Management Policy Statement 2013-2016 and Treasury Management Practices 2013-2016 on 1st March 2013.

4.00 RECOMMENDATIONS

- 4.01 That Members note the report.
- 4.02 That Members agree not to pursue joint investments as detailed in 3.05 any further at this time, and Officers continue to monitor the situation in preparation for when market conditions change. Opportunities for collaboration will continue to be discussed within practitioner groups.

5.00 FINANCIAL IMPLICATIONS

- 5.01 As set out in this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

- 8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Limited.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Limited.

12.00 APPENDICES

Investments outstanding as at 22nd February 2013.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Contact Officer: Liz Thomas
Telephone: 01352 702289
Email: liz.thomas@flintshire.gov.uk

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Flintshire County Council

Appendix 1

Investments as at 22nd February 2013 - by maturity date

Counterparty Name	Amount	Start Date	Maturity	Interest Rate	Interest on Investment	Period to Maturity	
	£m						£m
LANDSBANKI ISLANDS	0.6	22-Jul-08	17-Oct-08	5.82%	16,646.79	Partially Returned	Iceland
LANDSBANKI ISLANDS	0.8	1-Sep-08	14-Nov-08	5.70%	17,334.25	Partially Returned	Iceland
LANDSBANKI ISLANDS	0.5	8-Sep-08	18-Nov-08	5.67%	11,029.32	Partially Returned	Iceland
DEUTSCHE MANAGED STERLING FUND	0.2	2-Apr-12	28-Feb-13	0.30%	551.92	1 month or less	
SSGA GBP LIQUIDITY FUND	5.7	2-Apr-12	28-Feb-13	0.37%	19,056.47	1 month or less	
SWIP GLOBAL LIQUIDITY FUND	7.0	1-Jun-12	28-Feb-13	0.34%	17,821.44	1 month or less	
RBS FUND	1.3	1-Nov-12	28-Feb-13	0.33%	1,417.83	1 month or less	
NATIONAL COUNTIES BUILDING SOCIETY	1.0	3-Dec-12	28-Feb-13	0.60%	1,430.14	1 month or less	
CAMBRIDGE BUILDING SOCIETY	1.0	3-Dec-12	28-Feb-13	0.35%	834.25	1 month or less	
YORKSHIRE BUILDING SOCIETY	1.5	3-Dec-12	28-Feb-13	0.35%	1,251.37	1 month or less	
HANDELSBANKEN	3.7	5-Dec-12	28-Feb-13	0.40%	3,446.58	1 month or less	
IGNIS STERLING LIQUIDITY FUND	6.6	5-Dec-12	28-Feb-13	0.45%	6,846.44	1 month or less	
NATIONAL COUNTIES BUILDING SOCIETY	1.0	7-Dec-12	06-Mar-13	0.60%	1,463.01	1 month or less	
BARCLAYS	1.8	17-Dec-12	18-Mar-13	0.46%	2,064.33	1 month or less	
BARCLAYS	2.3	4-Jan-13	22-Mar-13	0.46%	2,207.68	1 month or less	33.1
YORKSHIRE BUILDING SOCIETY	2.5	2-Jan-13	28-Mar-13	0.39%	2,270.55	1 - 3 months	
COVENTRY BUILDING SOCIETY	1.5	2-Jan-13	02-Apr-13	0.41%	1,516.44	1 - 3 months	
NATIONWIDE BUILDING SOCIETY	1.6	2-Jan-13	02-Apr-13	0.44%	1,735.89	1 - 3 months	
NATIONAL COUNTIES BUILDING SOCIETY	1.0	2-Jan-13	02-Apr-13	0.50%	1,232.88	1 - 3 months	
DONCASTER COUNCIL	2.0	3-Oct-11	16-Apr-13	1.30%	39,961.64	1 - 3 months	
NOTTINGHAM BUILDING SOCIETY	1.0	15-Jan-13	18-Apr-13	0.35%	891.78	1 - 3 months	
YORKSHIRE BUILDING SOCIETY	1.0	24-Jan-13	26-Apr-13	0.40%	1,008.22	1 - 3 months	
NOTTINGHAM BUILDING SOCIETY	1.0	24-Jan-13	26-Apr-13	0.38%	957.81	1 - 3 months	
COVENTRY BUILDING SOCIETY	2.2	5-Feb-13	22-May-13	0.42%	2,683.40	1 - 3 months	13.8
BANK OF SCOTLAND	4.0	27-Jul-12	04-Jul-13	3.00%	112,438.36	3 months +	
NATIONWIDE BUILDING SOCIETY	1.5	1-Feb-13	16-Aug-13	0.62%	4,993.97	3 months +	
LEEDS BUILDING SOCIETY	2.3	5-Feb-13	16-Aug-13	0.52%	6,291.29	3 months +	
NOTTINGHAM BUILDING SOCIETY	1.0	5-Feb-13	18-Oct-13	0.61%	4,261.64	3 months +	
NOTTINGHAM BUILDING SOCIETY	2.0	5-Feb-13	18-Nov-13	0.72%	11,283.29	3 months +	
LEEDS BUILDING SOCIETY	2.0	22-Feb-13	28-Nov-13	0.65%	9,936.99	3 months +	
BANK OF SCOTLAND	3.0	5-Dec-12	05-Dec-13	1.60%	48,000.00	3 months +	
NATIONAL COUNTIES BUILDING SOCIETY	2.0	14-Feb-13	14-Feb-14	1.20%	24,000.00	3 months +	17.8
	66.6				376,865.97		66.6
Summary		Total	1 month or less	1 - 3 months	3 months +	12 months +	Iceland
	£m	%	£m	£m	£m	£m	
DEBT MANAGEMENT OFFICE (DMO)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UK	38.2	57.4	8.6	11.8	17.8	0.0	0.0
OVERSEAS	3.7	5.5	3.7	0.0	0.0	0.0	0.0
OTHER LOCAL AUTHORITIES	2.0	3.0	0.0	2.0	0.0	0.0	0.0
ICELAND (LANDSBANKI)	1.9	2.9	0.0	0.0	0.0	0.0	1.9
MONEY MARKET FUNDS	20.8	31.2	20.8	0.0	0.0	0.0	0.0
	66.6		33.1	13.8	17.8	0.0	1.9
		100.0%	49.7%	20.7%	26.7%	0.0%	2.9%

Flintshire County Council

Investments as at 22nd February 2013 - by bank

Counterparty Name	Amount	Start Date	Maturity	Interest Rate	Interest on Investment	Period to Maturity	£m
	£m						
BANK OF SCOTLAND	4.0	27-Jul-12	04-Jul-13	3.00%	112,438.36	3 months +	
BANK OF SCOTLAND	3.0	5-Dec-12	05-Dec-13	1.60%	48,000.00	3 months +	7.0
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COVENTRY BUILDING SOCIETY	1.5	2-Jan-13	02-Apr-13	0.41%	1,516.44	1 - 3 months	
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DONCASTER COUNCIL	2.0	3-Oct-11	16-Apr-13	1.30%	39,961.64	1 - 3 months	2.0
HANDELSBANKEN	3.7	5-Dec-12	28-Feb-13	0.40%	3,446.58	1 month or less	3.7
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SWIP GLOBAL LIQUIDITY FUND	7.0	1-Jun-12	28-Feb-13	0.34%	17,821.44	1 month or less	7.0
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YORKSHIRE BUILDING SOCIETY	1.0	24-Jan-13	26-Apr-13	0.40%	1,008.22	1 - 3 months	5.0
	66.6				376,865.97		66.6

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 13 MARCH 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **AUDIT OF FINANCIAL STATEMENTS 2011/12 –
ISSUES RAISED**

1.00 PURPOSE OF REPORT

1.01 To outline the Council's response to the Wales Audit Office (WAO) report 'Audit of Financial Statements 2011/12' and to present to Members an 'action plan' of how issues raised in the report will be addressed.

2.00 BACKGROUND

2.01 As part of the final accounts process, the WAO present an ISA 260 report 'Audit of Financial Statements' every year to the Audit Committee upon the conclusion of the audit of the Council's Statements of Accounts. The ISA (International Standards on Auditing) 260 requires the auditor to communicate relevant matters relating to the audit of the financial statements to those charged with governance of the entity.

2.02 The 'Audit of Financial Statements 2011/12' was presented by the WAO to the Audit Committee and Council on 25th September 2012.

3.00 CONSIDERATIONS

3.01 Appendix 1 to this report is the Council's Statement of Accounts Action Plan 2012/13 which summarises:

- The issues raised in the WAO report
- The Council's response to those issues
- Progress made to date in responding to those issues highlighted
- Further actions planned to respond to those issues raised

4.00 RECOMMENDATIONS

4.01 Members note the report and action plan

5.00 FINANCIAL IMPLICATIONS

None.

6.00 ANTI POVERTY IMPACT

None.

7.00 ENVIRONMENTAL IMPACT

None.

8.00 EQUALITIES IMPACT

None.

9.00 PERSONNEL IMPLICATIONS

None.

10.00 CONSULTATION REQUIRED

None required.

11.00 CONSULTATION UNDERTAKEN

None.

12.00 APPENDICES

Appendix 1 – Statement of Accounts Action Plan 2012/13

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

**Contact Officer: Liz Thomas – Finance Manager,
Strategy & Technical**

Telephone: 01352 702289

Email: liz.thomas@flintshire.gov.uk

STATEMENT OF ACCOUNTS ACTION PLAN 2012/13

Issue Raised in WAO Report	Flintshire's Response	Progress Made To Date	Further Actions Planned
No process in place to review asset lives on revaluation.	The issue resulted from the implementation of the new asset management system, Technology Forge.	The Valuation Team has reviewed the requirements and a process for 2012/13 final accounts purposes has been implemented.	Ongoing review, as necessary.
Grants received in advance are Incorrectly classified on the face of the balance sheet.	A presentational issue which resulted in grants received in advance showing in the incorrect heading on the face of the balance sheet. Materiality considerations were taken into account in deciding not to adjust the accounts.	Shortcomings as identified will be resolved for 2012/13 accounts (with restated 2011/12 comparatives) in line with audit advice. New coding arrangements have been put in place to assist the process.	Further consideration will be given to improvements that could be made in the review / development work being undertaken in connection with the Grant Database.
Non-current assets and related accounts were subject to extensive restatement. Accounts did not reconcile to the asset system. Transactions were misclassified between accounts.	Again, issues consequent to the implementation of the new asset management system, Technology Forge.	A full reconciliation of asset system to ledger / Statement of Accounts (for closing 2011/12 and opening 2012/13 values) has been provided to WAO for their pre audit review purposes.	The asset management system (Technology Forge) is subject to ongoing refinement following the post implementation review work undertaken by Finance and Valuation staff since the 2011/12 Statement of Accounts

STATEMENT OF ACCOUNTS ACTION PLAN 2012/13

Issue Raised in WAO Report	Flintshire's Response	Progress Made To Date	Further Actions Planned
			was signed off.
Investment properties have not been subject to an annual revaluation.	Accepted.	The requirement has been discussed with the Valuation Team, included in the 2012/13 valuation instructions (Terms of Engagement), and investment properties will be revalued in line with the Code of Practice requirements.	Ongoing review, as necessary.
Information provided to the Valuer does not allow the Beacon principle (an agreed valuation methodology for housing stock) to be properly adopted when valuing the stock.	There is an ongoing debate across Wales regarding the correct valuation technique that should be used in valuing housing stock with 2 methods being debated; Beacon and Discounted Cash Flow. The WAO / Welsh Government (WG) are in discussion about providing definitive guidance on which method should be used. Given the amount of resources it would take to provide the information to the Valuer in the prescribed format	The Valuer is reviewing the related Statement of Accounts disclosure note, with a view to enhancing as necessary for 2012/13.	Ongoing review, as necessary following receipt of guidance from WAO / WG.

STATEMENT OF ACCOUNTS ACTION PLAN 2012/13

Issue Raised in WAO Report	Flintshire's Response	Progress Made To Date	Further Actions Planned
	and that a 100% valuation was undertaken in 2011/12, no changes will be made for the 2012/13 accounts (other than any required disposal/demolition adjustments).		
Revised accounts mainly meet the disclosure requirements of the Code of Practice on Local Authority Accounting, but some departures still exist.	Accepted.	Completion of the CIPFA disclosure checklist will highlight any shortcomings. A review of the 2011/12 accounts against the checklist is currently taking place.	Greater emphasis will be placed on this requirement in the 2012/13 closedown timetable.
Style and format of the statements could be improved.	Further discussions with the WAO have indicated that these comments were in relation to the Foreword to the accounts.	The content/layout of the Foreword has been fully reviewed/updated for 2012/13 Statement of Accounts purposes.	Continue to review content in the light of any updated CIPFA guidance.
Accounts contain balancing entries.	Every effort is made to ensure that the accounts are clear of balancing entries. Time pressures across several closedown programme areas in the later stages of the final	The intention is for the accounts to be clear of balancing entries. Discussions across Corporate Finance to raise awareness of	Continuous development and refinement of the closedown timetable to make improvements taking risk and materiality into

STATEMENT OF ACCOUNTS ACTION PLAN 2012/13

Issue Raised in WAO Report	Flintshire's Response	Progress Made To Date	Further Actions Planned
	accounts process, hindered these efforts.	issues that are caused by non adherence to the closedown timetable.	consideration.
Council needs to ensure it does not over rely on external advice when preparing financial estimates.	The issue related specifically to the equal pay provision and not broadly across the accounts.	The potential liability is subject to ongoing internal work in conjunction with external advice.	The 2012/13 accounts will include the Councils internally agreed potential position.
A number of Members failed to return related party declarations which were required for disclosure requirements.	Officers had made a considerable effort to chase outstanding declarations.	A review of the process is currently underway which will include looking at ways of raising the profile of declarations with Members.	Ongoing review in the light of the outcome of the 2012/13 process.

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY 13 MARCH 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **INTERNAL AUDIT PROGRESS REPORT**

1.00 PURPOSE OF REPORT

1.01 To present to members an update on the progress of the internal audit department.

2.00 BACKGROUND

2.01 The status of all projects as at 1st February is shown in Appendix A. The Appendix shows the agreed timing for the individual projects where it is known, and the actual number of days spent on each project.

2.02 The details of the outcomes of all reports finalised since the last Audit Committee are shown in Appendix B.

2.03 Tracking results.
Appendix C gives a summary of all recommendations tracked since the last committee.

2.04 Performance Indicators for the department and for the responses to reports are given in Appendix D.

2.05 An overview of current Investigations is given in Appendix E.

3.00 CONSIDERATIONS

3.01 Audit Plan and Resources

As outlined at the last Audit Committee The department is currently undertaking a major investigation which has already taken up more than the total days allocated to investigations in the plan and has had an effect on planned audits. The investigation is ongoing, however it has now reached the stage where management time is needed rather than the time of the rest of the department.

As a result of the Audit Committee resolution at the September meeting that additional resources should be sought the plan has not been reduced. A number of audit projects scheduled to start in the first half of the year have been delayed. They have been rescheduled and will be prioritised to ensure that the end of year audit opinion can be reached.

- 3.02 Funding for the additional resources has been agreed by Cabinet. The resource has been sourced as a combination of short term contractors, agency staff and staff from RSM Tenon. The timing of the resources means that the plan as it now stands will be completed in April 2013. This is normal, as some work cannot be done until around or after the year end.
- 3.03 Appendix A shows that the majority of projects are now in hand. There are also fifteen reports in draft, awaiting management review or response from departments.
- 3.04 The audit plan needs to be of sufficient size so that the work completed means the Audit Manager is able to give an opinion at the year end on the adequacy and effectiveness of the system of control, corporate governance and risk management within the Council. The current actions have ensured that this remains the case.
- 3.05 Since the last committee meeting three projects have been deferred (Waste Management, School Funding Formula and Medium Term Financial Strategy) and one has been added to the plan (Taith). These are the normal type of amendments made during the year as circumstances change.

3.06 **Final Reports**

All reports finalised since the last committee meeting are shown in Appendix B. As noted above, there are a number of reports nearing completion, but only seven have been finalised since the last meeting. None of them had a red (limited) level of assurance.

- 3.07 Copies of all final reports are available for members if they wish to see them.

3.08 **Recommendation Tracking**

Appendix C shows the responses that have been received from recommendation tracking. As previously, many of the recommendations that were due to be implemented at this time have not actually been completed. The non-implemented recommendations will be tracked again at their new due date.

At the December meeting members asked that the report should include more detail on what had not been implemented including the area of risk, manager responsible, reason for non-implementation and whether this was acceptable. This will be introduced from the June meeting and will include the input of the relevant Director or Corporate Head.

- 3.09 In the meantime the results are reported below in the same way as at the December meeting – the responses have been followed up with management to identify whether there are any causes for concern, particularly those where the recommendations had not been implemented or had been carried forward for a long period.

For Procurement the update of Contract Procedure rules has been delayed due to delays in a national set of CPRs. These are now due. In addition issues with the use of the approved list, the rotation of suppliers and framework agreements will be dealt with by the introduction of e-sourcing by September 2013.

For Consultants (six recommendations not implemented) these also relate to the Contract Procedure Rules, which are currently being produced.

Replies have not been received for four reports within Finance. The Head of Finance recognises the importance of these audit findings and the need to respond. However, over recent weeks priority has needed to be given to work on the 2013/14 budget and capital programme, and the preparation for the introduction of the new Council Tax support scheme.

3.10 **Performance Indicators**

Appendix D shows the new range of performance indicators for the department. Those for the IA department have been affected by the need to catch up on the projects within the plan and the volume of reports being processed. These areas will continue to be under pressure for the coming quarter but will then improve.

The average number of days taken to return draft reports has improved but is still outside the target time.

3.11 **Audit Committee Training**

All members of the committee received induction training in June 2012. Subsequently they completed a self assessment against the CIPFA requirements, the results of which were brought to the committee in December 2012.

The results were intended to inform the provision of training for members. The Wales Audit Office identified in a report in June 2012 that training had not always taken place in the past. They recommended at that time that Internal Audit should 'review and analyse the self-assessment results to identify knowledge gaps and training needs to further develop the committee.'

The results in December 2012 did not show a consistent pattern to enable training to be arranged for all committee members. Instead, all members were contacted individually to ascertain if they felt they needed further training, or a repeat of some aspects of the induction training. No members have requested further training to date.

4.00 RECOMMENDATIONS

4.01 The committee is requested to consider the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

- 12.01 A Operational Plan
- B Reports Issued
- C Recommendation Tracking
- D Performance Indicators
- E Investigations

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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Operational Plan 2012/13

CORPORATE					
Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed start date / Status
Risk	Risk Management.	10		5	WIP
Risk	Procurement	20		2	WIP
Reg	Performance Indicators	20		10	WIP
Advisory	Corporate Governance	10		5	WIP
Advisory	Collaborations	10		3	WIP
Advisory	Partnerships	10		5	WIP
Advisory	Theatre Clwyd	20		1	WIP
Advisory	Business Continuity	10		12	DRAFT
Consult	Flintshire Futures	30	15		ONGOING
Consult	Lean Team	30	15	22	DRAFT
Addition	Consultants		10		FEB
Addition	NWRWP		10	5	WIP
		170	160	70	
FINANCE					
Risk	Medium Term Financial Strategy and Plan	20			DEFERRED
Reg	Main Accounting	50		25	WIP
Reg	Housing Benefits, incl. overpayments.	20		19	DRAFT
Reg	Council Tax and NNDR	20		5	WIP
Advisory	Housing Benefit Subsidy	15	0		CANCELLED SEE NOTE
Advisory	Corporate Grants	15		17	DRAFT
Advisory	Taxation	20		7	WIP
Advisory	Flintshire Connects	10			FEB
Addition	Housing Benefit Return		3	3	FINAL
		170	155	76	

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed Start Date / Status
PENSION FUND					
Reg	Pensions Administration and Contributions	40		3	WIP
Addition	Pensions Contributions		5		MAR
		40	45	3	
LEGAL AND DEMOCRATIC SERVICES					
Advisory	Commons Register	10		8	WIP
Advisory	Data protection	10			DEFERRED
Advisory	Members Allowances	10		10	FINAL
		30		18	
HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT					
Reg	Payroll & HR System	50		1	WIP
Advisory	Agency /Temporary Staff	10			MAR
Advisory	Disciplinary Policy	15		17	DRAFT
Advisory	Payroll / pensions	10		2	WIP
Advisory	Single status – costing of pay model	15	40	49	WIP
Consult	Service Review	10	5		ONGOING
Consult	Midland Trent: Phase 2	15	5		ONGOING
Addition	I Trent – Private vehicles		10		WIP
		125	145	69	
INFORMATION AND COMMUNICATIONS TECHNOLOGY					
Risk	Information Governance	30		11	DRAFT
Advisory	IT Procurement	10			MAR
Advisory	Electronic document management	15		6	WIP

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed Start Date / Status
Advisory	Mobile working, mobile phone security, smart phones	20			MAR
		75		17	
LIFELONG LEARNING					
Reg	Grants	20		6	JUL AND ONGOING
Advisory	Leisure Centres - operation	20		17	DRAFT
Advisory	Youth & Community	10		1	WIP
Advisory	Facilities Services – Cleaning Services	10		10	DRAFT
Advisory	Pupil Referral Unit	10			MAR
Advisory	CCTV	10		10	DRAFT
Advisory	Student Services	15		15	DRAFT
Advisory	Free School Meals	10		6	FINAL
Advisory	Payments processing	10		18	FINAL
Advisory	Music Service	5		7	FINAL
Advisory	Funding Formula	15			DEFERRED
Consult	Control Awareness Sessions New Heads and Governors	10	5		ONGOING
Consult	Develop audit presence on schools infonet	5	0		ONGOING
Schools	Central reviews	30			ONGOING
Schools	Risk based thematic reviews	30		33	FINAL
Schools	Control and Risk Self Assessment	10		17	WIP
Addition	Cheque book schools		6	13	FINAL
		220	216	153	
COMMUNITY SERVICES					
Risk	Sheltered Housing	10			FEB
Advisory	Mobile working and work ticket validation	25	0		DEFERRED SEE NOTE

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed Start Date / Status
Advisory	Allocations	10		10	DRAFT
Advisory	Gas Servicing	15		15	WIP
Advisory	Rent Arrears	15		15	DRAFT
Advisory	Vehicle Tracking Follow Up	15			FEB
Advisory	Care Homes	10		30	DRAFT
Advisory	Disabled Facilities Grants	20		7	FINAL
Advisory	Section 33	10		16	FINAL
Advisory	Payments to foster carers	20		27	FINAL
Advisory	Performance information	20		9	DRAFT
		170	145	129	
ENVIRONMENT					
Risk	County Town Network Regeneration and Protection	20			MAR
Risk	Highways Infrastructure	20			WIP
Risk	Waste Management	20			DEFERRED
Advisory	Licensing	10		10	DRAFT
Advisory	Pollution Control	15			DEFERRED
Advisory	Fleet Management	20		2	DEFERRED
		105		12	

INVESTIGATIONS, PROVISIONS AND DEVELOPMENT					
Type	Audit	Plan Days	Revised Plan Days	Actual Days used	
	Pro-active fraud work and NFI	50		23	
	Provision for investigations	200		437	
	Provision for ad-hoc requests from Directorates	100			
	Follow up reviews	30		19	WIP
	Audit Development - IDEA	30			
	Regional Collaboration	50	25		
		460	377	479	
	Overall Total	1565	1455	1026	

Definitions

Regulatory work

Work based on the need to satisfy statutory and other requirements, and to demonstrate to external audit that they can rely on the work of internal audit as part of the annual accounts process.

Risk based audits

Work based on strategic and operational risks identified by the organisation in the SARC and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.

Advisory

Work based on discussions with management when the audit plan is being produced.

Consultancy

Participation in various projects and developments in order to ensure that controls are in place.

Changes to the Plan since the last meeting

Audits added to the plan

Corporate

Taith. As Flintshire is the lead authority, there is a requirement for IA review and report.

Audits deferred

Finance

Medium Term Financial Strategy. The audit was intended to take place after the mid year review of the Strategy. In the event this did not take place.

Lifelong Learning

Funding Formula. As reported to Scrutiny the new funding formula will not be introduced for 2013/14. More work is necessary and it is now envisaged that the new formula will be introduced for 2014/15.

Environment

Waste Management. Deferred pending the results of the current investigation.

Pollution Control. Service Review currently taking place, management request to defer.

Changes reported to previous committees

Audits added to the plan

Corporate

Consultants – AC request, review of the constraints for the appointment and on the remit and monitoring of consultants to help give assurance that proper procedures are in place.

NWRWP – As Flintshire is the lead Authority, there is a requirement for IA review and report.

Finance

Housing Benefits Overpayments – review of how performance is reported.

Housing Benefit Return – review of the preparation of the return

HR

I Trent – compliance testing on Private Vehicles and Driving check after introduction of new procedure

Lifelong Learning

Cheque Book Schools - three schools have moved to having their own bank account. Review of procedures and controls.

Pensions

Pensions Contributions – reconciliation of payments from other Authorities between the Pensions system and Flintshire Accounting system.

Audits deferred

Finance

Housing Benefit Subsidy. Audited by WAO.

Legal and Democratic Services

Data Protection – working with Information Commissioners Office. Their review scheduled for April 2013.

Community Services

Mobile working and ticket validation – management request, new system to be given time to become fully operational.

Environment

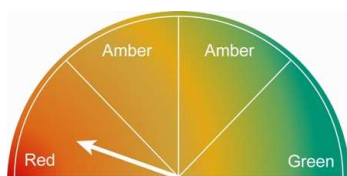
Fleet Management – consulting with other Authorities on a possible joint approach.

Appendix B

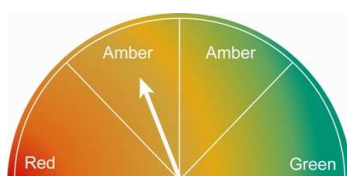
The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received limited or little assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Level of Assurance	Recommendations		
			F	S	MA
No Ref	HBRF Returns	N/A	0	3	0
LD0160S1	Members Allowances	Green	0	0	2
LL0020S3	School Effectiveness/Pupil Deprivation Grants	N/A	0	1	0
LL0130S1	Cross Cutting Schools Review – Acceptable Use of IT, Data Security & Sickness Absence Monitoring	N/A	0	0	0
CS0180S1	Disabled Facility Grants	Green	0	1	3
CS2010R2	NEWCES Stores – Section 33	Amber	0	2	5
CS4010R1	Re-letting of Empty Properties (Voids)	Green	0	1	1

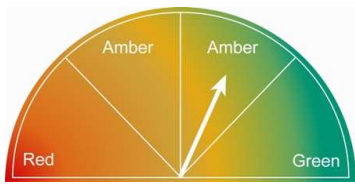
New levels of Assurance – standard reports.



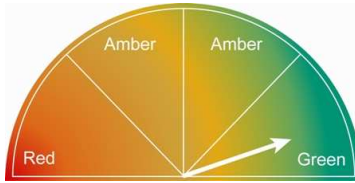
Taking account of the issues identified, the organisation cannot take assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.



Taking account of the issues identified, whilst the organisation can take some assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.



Taking account of the issues identified, the organisation can take reasonable assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.



Taking account of the issues identified, the organisation can take substantial assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied and effective.

Levels of Assurance – follow up reports.

Good. 80%+ of recommendations have been implemented. All fundamental recommendations have been implemented.

Reasonable. 50-80% of recommendations have been implemented. Any outstanding fundamental recommendations are in the process of being implemented.

Little. Less than 50% of recommendations have been implemented. Unsatisfactory progress has been made on the implementation of fundamental recommendations.

Categorisation of Recommendations

- F - Fundamental
- S - Significant
- MA - Merits Attention

Fundamental – action is imperative to ensure that the objectives for the area under review are met.

Significant – requires action to avoid exposure to significant risks in achieving the objectives for the area under review.

Merits Attention – action advised to enhance control or improve operational efficiency.

Summary of Findings and Action Plan of Reviews with Limited Assurance

No reports finalised since the last meeting have had a limited or red assurance level.

Summary of Findings and Action Plan of Reviews with Limited Assurance

Appendix C

Recommendation Tracking








Status of Recommendations that have reached their Implementation Dates.




Title	Reference	Date Issued	Response Received	Recommendations		
				Due	Implemented	Not Implemented
CORPORATE						
Procurement	CD0070R1	Mar 2012	Yes	9	1	8
Procurement	CD0070P1	Nov 2010	Yes	2	1	1
Performance Indicators	CD0200R1	Jul 2012	Yes	1	1	0
Use of Consultants	CD0500P1	Jan 2011	Yes	6	0	6
			Total	18	2	16
FINANCE						
MTFS	FD0040R1	Dec 2011	Yes	1	0	1
MTFS	FD0040P1	Apr 2011	Yes	1	0	1
Financial Systems	FD0080R1	June 2012	Part *	2	1	0
Main Accounting	FD0080N1	Sep 2010	No *	1		
Capital Programme	FD0090P1	Jan 2012	No *	13		
Housing Benefits	FD6150P1	Aug 2011	No *	1		
Housing Benefits	FD6150R1	Aug 2012	Yes	1	0	1
			Total	20	1	3
LEGAL AND DEMOCRATIC						
Data Protection	LD0220P1	Oct 2011	Yes	1	1	0
			Total	1	1	0
HUMAN RESOURCES						
Employee Appraisals	HR0240P1	Jun 2011	Yes	6	5	1
			Total	7	5	2

ICT						
			Total	0	0	0
LIFELONG LEARNING						
E-Teach	LL0190N1	Aug 2010	Yes	3	0	3
			Total	3	0	0
COMMUNITY SERVICES						
Multi-Skilling	CS0033N1	Sep 2010	Yes	1	1	0
			Total	1	1	0
ENVIRONMENT						
Streetscene – Cleanliness of the Public Realm	EN0010R1	Feb 2012	Yes	3	3	0
Fleet Management	EN0060P1	Jun 2011	Yes	3	1	2
Data Management – Public Protection	EN0080N1	Mar 2010	Yes	4	1	3
Asset Management	EN0155R1	Nov 2012	Yes	4	4	0
			Total	14	9	5
			Total	64	19	26

* See comment para 3.09.

Internal Audit Performance Indicators

Performance Measure	Q3	Target	RAG Rating
Internal Audit Departmental Targets			
Audits completed within planned time	78%	80%	 ↓
Average number of days from closure meeting to issue of draft report	25	20	 ↓
Average number of days from response to issue of final report	2	5	 ↑
Return of client satisfaction questionnaires	83%	70%	 ↓
Client questionnaires responses as satisfied	100%	95%	 →
Productive audit days	69%	75%	 ↓
Other Targets			
Days to return draft reports	23	20	 ↑

Key  Target not achieved  Within 10% of target  Target Achieved

↑ Improving trend → No change ↓ Worsening trend

Investigations

1. The following investigations have been reported to previous committees and are still being investigated:

- 1.1. An investigation is ongoing into alleged operational and financial irregularities within Streetscene, four employees are still suspended.
- 1.2. An anonymous allegation has been received regarding the use of a Council vehicle for personal use. Management are investigating the issue.
- 1.3. An anonymous allegation has been received concerning the use of a supplier

2. The following investigations have been completed:

- 2.1. Two employees have been disciplined regarding alleged collusion with a supplier

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 13 MARCH 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **INTERNAL AUDIT CODE OF PRACTICE**

1.00 PURPOSE OF REPORT

- 1.01 To inform members of the level of compliance of the Internal Audit section with the current Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the UK.
- 1.02 To inform members of the results of the RSM Tenon review of the quality of audit files.
- 1.03 To inform members of the new Public Sector Internal Audit Standards, which will apply from April 2013 and replace the CIPFA Code of Practice.

2.00 BACKGROUND

CIPFA Code of Practice

- 2.01 In December 2006 CIPFA published an updated Code of Practice for Internal Audit departments operating within Local Government, including a checklist to show compliance with the Code of Practice. This is completed for Flintshire County Council on an annual basis. This is the last occasion, as the Code of Practice is being replaced by the new Standards, as outlined in para 2.05.
- 2.02 The checklist has now been completed again to show the up to date position. As Internal Audit forms part of the governance framework of the Council, this is part of the preparation for the Annual Governance Statement for 2012/13, which will be presented to the Committee in July 2013.
- 2.03 RSM Tenon Quality review

Wales Audit Office undertake an annual assessment of Internal Audit. They are required to consider whether the internal financial control arrangements for the Council are adequate, and Internal Audit is a key element of the system of internal control.

- 2.04 Although it is not a requirement for Internal Audit to receive a quality assurance review annually, one of the recommendations in the WAO report presented to the committee in June 2012 was that the Head of Finance should consider requesting RSM Tenon to perform an independent quality assurance review of Internal Audit in accordance with the provisions of Flintshire's Internal Audit manual. RSM Tenon has carried out a review to assess the quality of audit files and reports.

Public Sector Internal Audit Standards

- 2.05 These new standards were published in December 2012. They will apply across the public sector – Central Government departments including Scotland, Wales and Northern Ireland, Local Authorities across the UK, the NHS, Police and Fire Authorities and National Parks.
- 2.06 The standards are based upon the Chartered Institute of Internal Audit standards and will come into force in April 2013. However, the guidance on applying them within Local Government has not yet been issued, but is due in March.

3.00 CONSIDERATIONS

CIPFA Code of Practice

- 3.01 The completed checklist attached as Appendix 1 shows a high level of compliance with the Code of Practice, with just a few areas of partial or non compliance. These include the need to link audit findings back to the SARC to provide assurance to the Authority that actions are effective. This will be progressed in 2013/14.

RSM Tenon Quality Review

- 3.02 The review found that the department would benefit from a greater degree of oversight and check of the files by the Audit Manager and Principal Auditors, and that further training the RSM Tenon audit tools should be offered to the auditors.
- 3.03 The review covered files produced when there was a vacancy in the internal audit management team. That vacancy was filled last summer, so that there is now a greater degree of management oversight. Appraisals have been completed which include training and development needs for each individual. These will be actioned.

Public Sector Internal Audit Standards

- 3.04 The standards that are already applied within the department to meet the current Code of Practice will mean a high level of compliance with the new standards. When the guidance is received further work will be done in assessing compliance and a report will be brought to the next committee meeting.

4.00 RECOMMENDATIONS

- 4.01 The committee is requested to note the report.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None arising from this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None arising from this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None arising from this report.

8.00 EQUALITIES IMPACT

- 8.01 None arising from this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 None arising from this report.

10.00 CONSULTATION REQUIRED

- 10.01 None arising from this report.

11.00 CONSULTATION UNDERTAKEN

- 11.01 None arising from this report.

12.00 APPENDICES

- 12.01 Appendix 1 - CIPFA Code of Practice checklist.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT IN THE UNITED KINGDOM

Key: Y = Yes, P = Partial, N = No

References relate to the Code of Practice

Ref	Adherence to the Standard	Y	P	N	Evidence
1	Scope of Internal Audit				
1.1	Terms of Reference				
1.1.1	<p>Do terms of reference:</p> <p>[a] establish the responsibilities and objectives of Internal Audit?</p> <p>[b] establish the organisational independence of Internal Audit?</p> <p>[c] establish the accountability, reporting lines and relationships between the Head of Internal Audit and:</p> <p style="padding-left: 20px;">[i] those charged with governance?</p> <p style="padding-left: 20px;">[ii] those parties to whom the Head of Internal Audit may report?</p> <p>[d] recognise that Internal Audit's remit extends to the entire control environment of the organisation?</p> <p>[e] identify Internal Audit's contribution to the review of the effectiveness of the control environment?</p> <p>[f] require and enable the Head of Internal Audit to deliver an annual audit opinion?</p> <p>[g] define the role of Internal of Internal Audit in any fraud-related or consultancy work (see also 1.3.2)?</p> <p>[h] explain how Internal Audit's resource requirements will be assessed?</p> <p>[i] establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p>	√			The Internal Audit Charter includes the responsibilities, independence, role and rights of access. These are also included in the Council's Financial Regulations. During the year the position of Internal Audit Manager was contracted out to RSM Tenon, the contract specifies the reporting lines and the requirement for an annual report. The annual plan includes the resource requirements, this is presented to the Audit Committee.
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	√			The Internal Audit Charter was updated and approved by the Audit Committee in June 2011.
1.1.3	Have the terms of reference been formally approved by the organisation?	√			As above.
1.1.3	Are terms of reference regularly reviewed?	√			The Charter is reviewed every two years and will be reviewed in 2013.

1.2	Scope of Work			
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	√		The planning process is closely linked to the Authority's Strategic Assessment of Risks and Challenges and the Operational Risk Register.
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified : [a] how assurance will be sought? [b] agreed access rights where appropriate?	√		Where appropriate we work with External Audit and have agreed a Protocol with them. Any collaboration with other Authorities will also be the subject of agreement.
1.3	Other Work			
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: [a] skills, and [b] resources to do this?	√		The department includes trained and experienced investigators. During the year we have had access to specialists from the RSM Tenon consulting team or for a specialist investigator to have involvement in any fraud or corruption work. As a large professional services firm RSM Tenon employ a wide range of specialists and consultants that can be brought in to add specific skills or experience to the internal audit team as required. Resources to deliver the annual plan are agreed by the Audit Committee.
1.3.2	Do the terms of reference define Internal Audit's role in: [a] fraud and corruption? [b] consultancy work?	√		Defined in the Charter.
1.4	Fraud and Corruption			
1.4.2	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	√		The Anti Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy were reissued in December 2010. They make it clear that Internal Audit will be notified of any suspected or detected fraud, corruption or impropriety.

2	Independence				
2.1	Principles of Independence				
2.1.1	Is Internal Audit: [a] independent of the activities it audits? [b] free from any non-audit (operational) duties?	√ √			As a provider of internal audit services we do not have operational management responsibilities within the Authority.
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	√			The department is of sufficient size to make this practicable.
2.2	Organisational Independence				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	√			The independent status of Internal Audit is specified in Council Financial Procedure Rules and Constitution, and the Internal Audit Charter.
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?	√			The Internal Audit department issues individual reports for each assignment. Summary reports are issued to the Audit Committee, along with detailed findings of limited assurance reports. An annual head of internal audit opinion and report is issued by the Internal Audit Manager.
2.2.2	Does the Head of Internal Audit have direct access to: [a] officers? [b] members?	√ √			There are no restrictions on access to officers or members.
2.2.3	[a] Is there an assessment that the budget for Internal Audit is adequate? [b] Does any budget delegated to service areas ensure that: [i] Internal Audit adherence to the Code is not compromised? [ii] the scope of Internal Audit is not affected? [iii] Internal Audit can continue to provide assurance for the Statement on Internal Control?	√			The budget is sufficient to provide for the staffing levels that are required to meet the annual plan. None of the budget is delegated to service areas.
2.3	Status of the Head of Internal Audit				
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	√			The Internal Audit Manager reports to the Head of Finance (Section 151 Officer). During the year he also reported to an RSM Tenon Partner.

2.5	Independence of Internal Audit Contractors				
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	√			Some work has been performed by RSM Tenon staff, where necessary to meet the plan. Contractors and agency staff have also been used this year. Their areas of work have been managed to prevent any possible conflict of interest.
2.6	Declaration of Interest				
2.6.1	Do audit staff make formal declarations of interest?	√			Formal declarations of interest are made by all audit staff annually.
2.6.2	Does the planning process take account of the declarations of interest registered by staff?	√			Appropriate staff are used for each audit, ensuring there is no conflict of interest. Staff are also instructed to raise any possible conflict of interest as they arise.
3	Ethics for Internal Auditors				
3.1	Purpose				
3.1.1	Does the Head on Internal Audit regularly remind staff of their ethical responsibilities?	√			The importance of objectivity, ethical responsibilities and integrity is outlined in the constitution and set out in the internal audit manual. It is known by all staff. Staff are reminded whenever a potential issue arises.
3.2	Integrity				
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	√			The importance of objectivity, ethical responsibilities and integrity is outlined in the constitution and is set out in the internal audit manual. All of our work is subject to our internal quality control processes to ensure the quality and integrity of all internal audit work.
3.2.1	Has the internal audit team established an environment of trust and confidence?	√			The team is trusted and respected throughout the Authority.
3.3	Objectivity				
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	√			Internal Audit is known to be independent and impartial.

3.3.3	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	√			As audit staff have not recently held operational roles this is not an issue. However, the Principal Auditors are tasked with ensuring that there is no conflict of interest in the staff involved in delivering the internal audit service.
3.3.4	Are staff rotated on regular/annually audited areas?	√			We do not have a formal rotation system; previous work in the audited area is taken into account when planning reviews.
3.4 Competence					
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: [a] the organisation's aims, objectives, risks and governance arrangements? [b] the purpose, risks and issues of the service area? [c] the scope of each audit assignment? [d] relevant legislation and other regulatory arrangements that relate to the audit?	√			This is achieved on three levels: <ul style="list-style-type: none"> • <i>Flintshire County Council</i> – all internal audit staff have access to all published strategies, plans and policies and are required to review them in preparation for audit assignments. • <i>RSM Tenon</i> – the Internal Audit Manager has had access to the RSM Tenon Internal Audit Knowledge Base which is maintained by their dedicated Technical Team. Audit guides, sector specific circulars and publications as well as technical releases are prepared by RSM Tenon to keep staff up to speed with emerging issues and legislation impacting the sector. These are available to FCC audit staff. • <i>Locally</i> – the audit management team is responsible for ensuring that all staff are fully briefed relating to individual audit assignments.

3.5	Confidentiality				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	√			All staff are aware of the need for confidentiality. This is also set out in the Internal Audit Manual, which all internal audit staff are required to refer to. Staff are reminded whenever a potential issue arises.
4	Audit Committees				
4.1	Purpose of the Audit Committee				
4.1.1	Does the organisation have an independent audit committee?	√			The Audit Committee is set up within the Constitution.
4.2	Internal Audit's Relationship with the Audit Committee				
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	√			The Internal Audit Manager attends all committee meetings, has access to all members and can meet with the Audit Committee Chair if necessary.
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	√			The three year Audit Strategy and one year Audit Plan are presented annually. Progress against the plan is reported to each committee meeting.
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	√			The three year Audit Strategy and one year Audit Plan are presented annually. Progress against the plan is reported to each committee meeting.

4.2.4	<p>Does the Head of Internal Audit:</p> <p>[a] attend the committee and contribute to its agenda?</p> <p>[b] participate in the committee's review of its own remit and effectiveness?</p> <p>[c] ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives?</p> <p>[d] report on the outcomes of internal audit work to the committee?</p> <p>[e] establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa?</p> <p>[f] present the annual internal audit report to the committee?</p>	√			<p>Attendance at Audit Committee is usually by the Internal Audit Manager and RSM Tenon Partner.</p> <p>The committee completes a self assessment annually.</p> <p>The committee receives and approves the annual Strategic Audit Plan which outlines how Internal Audit will fulfil its objectives.</p> <p>At audit committee meetings during the year we present a progress report on performance against the internal audit plan, the most significant findings of recent audit reviews, performance indicators and a summary of current investigations.</p> <p>The audit plan is flexible and is changed as necessary to accommodate anything arising in the committee.</p>
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	√			There is a private meeting annually. The Internal Audit Manager has full and free access to the audit committee.
5	Relationships				
5.1	Principles of Good Relationships				
5.1.2	<p>Is there a protocol that defines the working relationship for Internal Audit with:</p> <p>[a] management?</p> <p>[b] other internal auditors?</p> <p>[c] external auditors?</p> <p>[d] other regulators and inspectors?</p> <p>[e] elected members?</p>	√	√	√	<p>Internal Audit Charter</p> <p>N/A</p> <p>Protocol agreed with external auditors.</p>
5.2	Relationships with Management				
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	√			The Internal Audit Manager and the internal audit management team seek to make and maintain good working relationships with key managers across the organisation.

5.2.2	Is the timing of audit work planned in conjunction with management?	√			<p>We set out the proposed timing of audit work in the annual periodic plan, which is discussed with management as well as being presented to the audit committee.</p> <p>We then agree the specific timing of each audit with the appropriate manager for each audit area.</p>
5.3	Relationships with Other Internal Auditors				
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?				For the auditing of collaboration projects it has been agreed that the internal audit department of the lead authority will undertake the work. Agreements will be formulated as necessary.
5.4	Relationships with External Auditors				
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?		√		We always allow External Audit access to our internal audit working papers. It is not standard practice for internal auditors to be permitted access to external audit working papers which we would need to be able to place reliance on their work. Meetings take place with the WAO (external auditors) to ensure that internal and external audit plans are complementary.
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	√			
5.4.3	Are the internal and external audit plans co-ordinated?	√			
5.5	Relationships with Other Regulators and Inspectors				
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	√			Dialogue takes place with agencies as appropriate, e.g. CSSIW, Estyn, WAG.
5.6	Relationships with Elected Members				
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?			√	Members can contact the Head of Internal Audit at any time.
5.6.1	Does the Head of Internal Audit maintain good working relationships with members?	√			Members refer areas of concern to the audit team.

6	Staffing, Training and Continuing Professional Development				
6.1	Staffing Internal Audit				
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	√			<p>The restructure of the team is now complete. There was a failure to recruit at the start of the year and the team has been running with a vacancy throughout the year. In addition a major investigation requiring more than 300 audit days has impacted on the plan.</p> <p>To meet the shortfall 140 days has been bought in from RSM Tenon, another 50 days from a contractor and 60 days from agency staff. This has enabled the majority of the plan to be completed, including all the essential areas.</p> <p>Staff are supported in studying for professional exams – currently four of the team are studying. The staff appraisal system is used to identify development needs. During the year the Internal Audit Manager was contracted out to RSM Tenon, and had access to specialist and general RSM Tenon staff as necessary to complete the plan.</p>
6.1.1	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	√			The Internal Audit Manager has access to RSM Tenon resources. As a large professional services firm, they can provide a wide variety of skills and expertise outside of the core internal audit team.
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	√			CFIIA, CMIIA, with more than 25 years internal audit experience. Backed up by an RSM Tenon Partner who has many years experience in managing teams and internal audit services.
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	√			

6.1.3	[a] Do all internal audit staff have up to date job descriptions? [b] Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	√ √			Job descriptions and person specifications are maintained for all positions within the department. These have been updated as part of the service review. The department restructure as part of a service review is now complete. The numbers, grades, qualifications, attributes and skills and experience necessary to meet the new departmental needs have been defined in that review.
6.2	Training and Continuing Professional Development				
6.2.1	[a] Has the Head of Internal Audit defined the skills and competencies for each level of auditor? [b] Are individual auditors periodically assessed against these predetermined skills and competencies? [c] Are training or development needs identified and included in an appropriate ongoing development programme? [d] Is the development programme recorded, regularly reviewed and monitored.	√			Job descriptions and person specifications include accountabilities and skills required for each level of auditor. These have been revised as part of the service review. This is used to help assess and develop staff. These relate to various attributes including qualifications, experience, technical expertise and people skills. Key competencies have been defined for all staff, which will be used to focus training. All staff participate in an annual appraisal, as well as a mid-year review, leading to a personal development plan for each individual.
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	√			All members of staff are required to maintain a record of all of their training and development activities
7	Audit Strategy and Planning				
7.1	Audit Strategy				
7.1.1	[a] Is there an <i>internal audit</i> strategy for delivering the service? [b] Is it kept up to date with the organisation and its changing priorities?	√ √			We prepare an internal audit strategy for the organisation based on risk and the needs of the organisation. The internal audit strategy is reviewed on an annual basis and updated to reflect changing priorities and subsequent changes on the risk profile of the organisation.

7.1.2	Does the strategy include: [a] Internal Audit objectives and outcomes? [b] how the Head of Internal Audit will form and evidence his or her opinion on the control environment? [c] how Internal Audit's work will identify and address local and national issues and risks? [d] how the service will be provided, i.e. internally, externally, or a mix of the two? [e] the resources and skills required to deliver the strategy?	√ √ √ √ √			Our internal audit strategy sets out the purpose of internal audit, and maps the Authority's audit needs to its strategic objectives as well as to risks facing the Authority and to national emerging issues. The strategy also sets out the use of internal resource supported by RSM Tenon specialists where necessary.
7.1.3	Has the strategy been approved by the audit committee?	√			We submit the audit strategy to the audit committee for approval annually.
7.2	Audit Planning				
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	√			The internal audit strategy and periodic plan are derived from discussions with senior management, a review of the Authority's risk management framework, the consideration of key objectives for the Authority and other assurance processes that are in place.
7.2.1	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	√			The risk management process within the Authority has been developed during the last few years. We use the information from the Strategic Assessment of Risks and Challenges and Service Plans to prepare the audit plan.
7.2.1	Are stakeholders consulted on the audit plan?	√			Our planning process includes meeting and discussing audit needs with key members of management across the organisation. We also meet with the external auditors to agree where internal audit work will be relied upon by external audit.
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	√			The plan includes audit work in each Directorate and the Corporate Centre, as well as the Authority as a whole.

7.2.3	Does the plan: [a] cover a fixed period of no longer than one year? [b] outline the assignment to be carried out? [c] prioritise assignments? [d] estimate the resources required? [e] differentiate between assurance and other work? [f] allow a degree of flexibility?	√ √ √ √ √ √			Our periodic plan covers a financial year. It lists the assignments to be carried out, with a brief overview of the work to be completed and an estimate of the number of days to be allocated to them. Risk based reviews are shown separately from regulatory work and advisory work. It also includes a provision for requests from management. Where any changes are required to the periodic plan, this is discussed with management and proposed changes to the audit plan taken to the audit committee for approval. This can be done at any time during the year to address a change in audit need or risk profile.
7.2.4	Has the plan been approved by the audit committee	√			We take our strategic plan and the periodic plan for the year to the Audit Committee for their approval at the start of the financial year.
7.2.4	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	√			A progress report is submitted to each audit committee meeting. This includes amendments to the plan, including the need for any additional resources.
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	√			A progress report is submitted to each audit committee meeting. If significant matters arise impacting delivery of the plan, these are reported in the progress report.
8	Undertaking Audit Work				
8.1	Planning				
8.1.1	[a] Is a brief prepared for each audit? [b] is the brief discussed and agreed with relevant managers?	√			Following a planning meeting or discussion, an Assignment Planning Sheet is issued to

8.1.1	Does the brief set out: [a] objectives? [b] scope? [c] timing? [d] resources? [e] reporting requirements?	√			the manager in advance of the audit commencing, setting out the scope and timing of the audit, as well as other details such as the manager responsible for that audit. This provides the relevant managers and staff with an opportunity to comment on the brief.
8.2	Approach				
8.2.1	Is a risk-based audit approach used?	√			RSM Tenon's internal audit methodology is used, which is a risk based internal audit methodology.
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	√			All staff members are encouraged to liaise with management to keep them apprised of significant issues arising from internal audit work as well as providing formal feedback at the audit debrief meeting.
8.2.4	Does the audit approach include a quality review process for each audit?	√			A quality review process is built into our internal audit methodology. This is set out in the internal audit manual. Principal Auditors review each audit file.
8.3	Recording Audit Assignments				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	√			The internal audit manual sets out the standards for audit documentation and working papers.
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	√			Management review of working papers, and the internal quality review process, encompass the standard and consistency of internal audit work. This is set out in the internal audit manual.

8.3.2	Are working papers such that an experienced auditor can easily: [a] identify the work that has been performed? [b] re-perform it if necessary? [c] see how the work supports the conclusions reached?	√			Our automated working papers, 4Audit, are used by all of our internal audit team. They have been developed by RSM Tenon to include fields to record key data so that testing is re-performable. Standards for the completion of working papers and audit files are set out in the internal audit manual.
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	√			Audit documentation is retained according to FCC's retention policy.
8.3.3	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	√			Audit documentation is retained according to FCC's retention policy.
8.3.3	Is there an access policy for audit files and records?	√			Access to audit files is specified in the audit charter.
9	Due Professional Care				
9.2	Responsibilities of the Individual Auditor				
9.2.1	Are there documents that set out the requirements on all audit staff in terms of: [a] being fair and not allowing prejudice or bias to override objectivity? [b] declaring interests that could be perceived to be conflicting or could potentially lead to conflict? [c] receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? [d] using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions? [e] being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest? [f] having sufficient knowledge to identify indicators that fraud or corruption may have been committed? [g] disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice? [h] disclosing any non-compliance with these standards? [i] not using information they gain in the course of their duties for personal use?	√			Ethical standards for internal auditors are set out in the internal audit manual. In addition, FCC's code of conduct for officers applies to all auditors. New internal auditors are provided with training on due professional care, objectivity and quality as part of their induction. Declaration of Interest forms are completed by all staff annually.

9.3	Responsibilities of the Head of Internal Audit				
9.3.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	√			Our procedures and expectations for supervision, quality review and management are set out in the internal audit manual. All reports and working papers are reviewed before the issue of a draft report.
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	√			All audit staff members are provided with guidance on actions to take if they have any suspicions of fraud or corruption.
10	Reporting				
10.1	Principles of Reporting				
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	√			We only issue an opinion for assurance work. Some assignments are advisory reviews and a formal opinion is not provided, although those reports will still highlight the issues that the organisation needs to address, and the risk implications of those issues.
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	√			We have a defined reporting format that all members of our internal audit team are required to use. This has been developed to meet the various internal audit standards we are required to meet, as well as to provide a useful and meaningful audit report to the Authority.
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	√			Standards for internal audit reporting are set out in the internal audit manual. Reporting templates are generated from the working papers to provide consistency.
10.1.5	Are there laid-down timescales for reports to be issued?	√			Draft reports should be issued within 20 working days of the end of the fieldwork. Final reports should be issued within 5 working days of receipt of the responses to the draft report.

10.2	Reporting on Audit Work			
10.1.4 10.1.4 10.2.2 10.2.1 10.1.4 10.2.1	Do the reporting standards include: [a] format of the reports? [b] quality assurance of reports? [c] the need to state the scope and purpose of the audit? [d] the requirement to give an opinion? [e] process for agreeing reports with the recipients? [f] an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	√		The internal audit manual provides staff and managers with requirements on all of these areas. All audit reports contain an action plan to record the action that management have agreed to take to address the issues identified by internal audit.
10.2.3	Does the audit reporting process include discussion and agreement of reports?	√		Our methodology includes a debrief stage, where the findings of the audit, and our proposed recommendations are discussed with auditees. Our internal audit reports are then issued in draft to the auditee(s). Our report will not be finalised until management comments have been received; these are recorded in the action plan of each report.
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	√		All recommendations made in reports providing assurance are categorised in line with our risk based audit methodology. The categorisation of recommendations and an explanation of each category is provided within our automated audit working papers and in the internal audit manual.
10.2.5	Are areas of disagreement recorded appropriately?	√		Where possible disagreements are resolved. However, if that were not possible, they would be recorded within the report and referred to Directors.
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	√		Where possible disagreements are resolved. However, if that were not possible, they would be recorded within the report and referred to Directors.
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	√		The report distribution is set out in the Assignment Planning Sheet that is issued before the audit commences.

10.2.6	[a] Does the reporting process include details of circulation of that particular audit report? [b] Is this included in the brief for each individual audit?	√			Our internal audit reports record to whom the report has been issued, and whether the report is in draft or final form as well as the date of issue at each stage.
10.2.7	Does the Head of Internal Audit have mechanisms in place to ensure that: [a] recommendations that have a wider impact are reported to the appropriate forums? [b] risk registers are updated?	√		√	Reports are circulated as necessary, according to their scope and findings. The risk management process within the Authority is still being developed. Updating registers from audit findings will be started in 2013/14.
10.3	Follow-up Audits and Reporting				
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	√			Recommendations from each audit are followed up as part of the next audit in that area. Specific follow up reviews are scheduled as necessary.
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	√			Recommendation tracking takes place on an ongoing basis. Reports are submitted to each audit committee on the status of recommendations.
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	√			Each follow up report includes an audit opinion, based on the level of implementation of recommendations from the original report.
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	√			All previous internal audit reports are available to staff to help them plan and undertake the next audit.
10.4	Annual Reporting and Presentation of Audit Opinion				
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	√			The Audit Manager provides an annual internal audit report. This is used to inform the Annual Governance Statement.

10.4.2	<p>Does the Head of Internal Audit's annual report:</p> <p>[a] include an opinion on the overall adequacy and effectiveness of the organisation's control environment?</p> <p>[b] disclose any qualifications to that opinion, together with the reasons for the qualification?</p> <p>[c] present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?</p> <p>[d] draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control?</p> <p>[e] compare that actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets?</p> <p>[f] comment on compliance with the standards of the Code?</p> <p>[g] communicate the results of the internal audit quality assurance programme?</p>	√			The annual report is designed to meet the requirements of both the Code and to meet best practice.
10.4.3	Has the Head of Internal Audit made provisions for interim reporting to the organisation during the year?	√			A summary of audits completed is presented to each audit committee meeting. This includes detailed findings from reports where there is limited assurance (red on the dashboard).
11	Performance, Quality and Effectiveness				
11.1	Principles of Performance, Quality and Effectiveness				
11.1.1	Is there an audit manual?	√			An internal audit manual is available to all members of the internal audit team. It was updated and reissued in January 2012.
11.1.1	Does the audit manual provide guidance on: [a] carrying out day-to-day audit work? [b] complying with the Code?	√			The internal audit manual provides guidance to staff on how to perform audit work, and compliance with the Code and other internal audit standards with which we are required to comply.
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	√			The internal audit manual was updated and reissued in 2012 after RSM Tenon issued their own updated working papers and manual.

11.1.2	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: [a] each individual audit? [b] the internal audit service as a whole?	√			Our internal audit methodology includes a formal quality control process for each audit. During the year RSM Tenon performed a quality review of internal audit files.
11.2	Quality Assurance of Audit Work				
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	√			The skills and experience that we need to deliver the internal audit plan is planned at the start of the year. Where appropriate, we will draw on specialists to bring particular skills or experience to the delivery of the periodic plan.
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	√			The Internal Audit Manager and the Principal Auditors are responsible for ensuring that all staff are appropriately supervised.
11.2.2	Does the supervisory process cover: [a] monitoring progress? [b] assessing quality of audit work? [c] coaching staff?	√			
11.3	Performance and Effectiveness of the Internal Audit Service				
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	√			The internal audit department has in place a formal quality assurance programme that covers all of our internal audit work Performance indicators are in place to monitor the internal audit service. These are reported to each audit committee meeting.

11.3.2	<p>Does the performance management and quality assurance framework include as a minimum:</p> <p>[a] a comprehensive set of targets to measure performance:</p> <p>[i] which are developed in consultation with appropriate parties?</p> <p>[ii] which are included in service level agreements, where appropriate?</p> <p>[iii] against which the Head of Internal Audit measures, monitors and reports appropriately on progress?</p> <p>[b] user feedback obtained for each individual audit and periodically for the whole service?</p> <p>[c] a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?</p> <p>[d] Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?</p> <p>[e] an action plan to implement improvements?</p>	√			<p>Targets for performance management have been developed with the audit committee, and are reported to each meeting.</p> <p>The department has a Service Plan, which includes overall targets for the year. This is reviewed periodically and updated annually.</p> <p>Feedback questionnaires are issued after each individual audit.</p> <p>Internal quality is maintained by ongoing monitoring, with improvements made where necessary.</p>
11.3.3	Does the Head of Internal Audit compare the performance and effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	√			Performance against targets is compared with previous years.
11.3.1	<p>Do the results of the performance management and quality assurance programme evidence that the internal audit service is:</p> <p>[a] meeting its aims and objectives?</p> <p>[b] compliant with the Code?</p> <p>[c] meeting internal quality standards?</p> <p>[d] effective, efficient, continuously improving?</p> <p>[e] adding value and assisting the organisation in achieving its objectives?</p>	√			Most of the targets set in the Service Plan and with the audit committee have been met.
11.3.4	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	√			We report on the performance measures agreed within the annual internal audit report.
11.3.5	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	√			We report on the performance measures agreed within the annual internal audit report.

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 13 MARCH 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **INTERNAL AUDIT STRATEGIC AND OPERATIONAL
PLAN**

1.00 PURPOSE OF REPORT

1.01 To present the proposed Internal Audit plan for the three year period 2013/14 to 2015/16, for Members consideration.

2.00 BACKGROUND

2.01 Each year Internal Audit prepare a three year rolling audit plan, with the first year completed in more detail. The plan is designed to meet the professional standards required of us in order to review and evaluate the risk management, control and governance arrangements within the Authority.

2.02 There has been continuing progress within the Authority in developing the Strategic Assessment of Risks and Challenges. The Internal Audit plan which is attached is largely based on these strategic risks and challenges, along with operational risks.

2.03 The final plan was produced after consultation with Directorate management teams, the Chief Executive and Corporate Management Team. WAO have also been contacted. It includes work which is expected to be completed to satisfy regulators and also work arising from the consultation or from our involvement in development projects.

2.04 The updated department structure is now in place. However, the department is currently under strength by 1 FTE. The plan has been formulated to take that into account.

3.00 CONSIDERATIONS

3.01 Does the strategy for Internal Audit as set out in Appendix A cover the Authority's key risks as they are recognised by the Audit Committee?

- 3.02 Does the audit strategy include all those areas that the Audit Committee would expect to be subject to internal audit coverage, in terms of our professional responsibilities as well as covering areas of concern flagged by management?
- 3.03 Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?
- 3.04 Does the plan for the coming year reflect the areas that the Audit Committee believe should be covered as a priority?

4.00 RECOMMENDATIONS

- 4.01 The Committee is requested to consider the report and to make comments on its content.
- 4.02 The Committee is recommended to approve the report.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

- 8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 The plan assumes the department will continue to run with the current level of staff.

10.00 CONSULTATION REQUIRED

- 10.01 Directorate management teams, Corporate Services management teams, WAO.

11.00 CONSULTATION UNDERTAKEN

- 11.01 Directorate management teams, Corporate Services management teams, WAO.

12.00 APPENDICES

12.01 Appendix 1 - Strategy for Internal Audit 2013/14 to 2015/16

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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Strategy for Internal Audit

2013/14 – 2015/16

For presentation at the Audit Committee meeting of 13th March, 2013

Contents

Section

- 1 Introduction
- 2 Developing your Strategy for Internal Audit
- 3 Corporate
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- 11 Contract Audit
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Appendices

- A Strategy for Internal Audit: 2012/13 – 2014/15

1 Introduction

1.1 Overall Approach

This strategy sets out the approach we have taken to develop the internal audit plan for 2013 / 2016.

1.2 The Purpose and Function of Internal Audit

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

(Chartered Institute of Internal Auditors)

Our professional responsibilities as internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland.

This definition and the standards form the basis of the new Public Sector Internal Audit Standards which will apply during the course of this strategy.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, in particular to how those elements help Flintshire County Council achieve its objectives.

2 Developing the Internal Audit Strategy

2.1 Developing the Strategy and the Detailed Plan for 2013/16.

Flintshire County Council's (FCC) objectives are the starting point in the development of the strategy for internal audit for the organisation.

2.2 To develop the strategy for internal audit, we have considered the following:

- The core objectives of the organisation (as agreed by the Cabinet) and the specific risks associated with those objectives;
- The Strategic Assessment of Risks and Challenges,
- Areas of concern or requests for coverage from management and the Audit Committee;
- Areas where external audit will wish to place reliance on the testing performed by internal audit;
- Other sources of assurance available to the organisation;
- Any recent significant changes within the organisation and its operations;
- Regulatory requirements for internal audit coverage;
- The timing for each internal audit review to maximise the benefit of assurance provided; and
- Results of previous internal audit coverage.

We also met with management across the organisation to further understand the risk areas where internal audit assurance is appropriate.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a contingency allocation, which will only be utilised should the need arise, for example, for unplanned and ad-hoc work;
- an audit management allocation, used at Audit Manager and Principal Auditor level for quality control, internal and external liaison and for preparation for and attendance at Audit Committee;
- an allocation for investigations into potential fraud.

The strategy will be revisited each year to confirm current priorities for internal audit coverage and to develop a detailed internal audit plan for the forthcoming year.

The commentary in the following sections is intended to highlight key areas of the plan, and particularly to explain new areas of work. Comments refer particularly to areas that are proposed for coverage in 2013/16.

3 Corporate

- 3.1 In 2013/14 the department will concentrate on contributing to major areas of development within the Authority through involvement in Flintshire Futures projects and Lean Team work.
- 3.2 We will continue to conduct work in support of the Annual Governance Statement which includes reviewing the effectiveness of the Authority's risk management processes.
- 3.3 We will examine performance information to give assurance on the accuracy of performance that is reported.
- 3.4 We will review the business cases for collaborative work projects and review the performance and self assessment of partnerships.
- 3.5 We will complete reviews of the collaborations where Flintshire is the lead authority (Taith and NWRWTP) to ensure statutory requirements are met.

4 Finance

- 4.1 A key area of work for the Authority is the continuing development of a robust Medium Term Financial Strategy and Plan. We will review the risks identified in the strategic assessment of risks and challenges.
- 4.2 We will continue to review housing benefits and council tax/NNDR with the focus for this year being the changes to the payment of council tax benefits.
- 4.3 The previous review carried out of the corporate grants register will be up followed later this year following the changes introduced as part of the finance function review.
- 4.4 Following the implementation of the new cash management system (CIVICA) a review will be carried out of the operational controls together with compliance issues associated with the PCI/DSS requirements.

- 4.5 Financial management and control issues raised in the SARC will be considered, the budget setting process will also be included within this review.
- 4.6 The audit of key financial systems will continue to be a focus of our assurance work for external audit. Key control reviews will be carried out for all core financial systems with continuing close liaison with our external auditors to ensure coverage levels meet their requirements.
- 4.7 New policies have been introduced for both Treasury Management and Corporate Debt together with the introduction of a new insurance strategy; we intend to review compliance issues associated with all of these.
- 4.8 We will also undertake reviews of pensions investments and the administration of the Clwyd Pension Fund.

5 Legal and Democratic Services

- 5.1 We will assist the Information Commissioner in his review of Data Protection within Flintshire in the coming year. We will also follow up on any findings of the inspection later in the year.
- 5.2 The use of counsel will be reviewed to ensure proper process is followed.
- 5.3 A compliance review will be carried out of the controls in place to ensure court deadlines are met.

6 Human Resources and Organisational Development

- 6.1 Payroll system continues to be included annually as part of the on-going need to review systems which are the subject of external regulation. Separate reviews of the Payroll system will include salary overpayment, overtime payments and the new auto enrolment of pensions.
- 6.2 A review is to be carried out of absence management. The review will include establishing the reasons for any non compliance with policy.
- 6.3 Following the implementation of Single Status a post implementation review will be carried out. A separate examination will include a review of Honorariums, Acting Up and Ex Gratia payments to made post implementation to ensure compliance with the Single Status agreement.
- 6.4 We will also undertake a review on Corporate Training and Development to ascertain whether the needs of the Council are being met.
- 6.5 Reviews are also planned of equalities (capture of data), Staff Induction and i-Trent expenses.

7 Information and Communications Technology, Procurement and Customer Services

- 7.1 The security arrangements of the School's Moodle will be examined to provide assurance its users are safeguarded.
- 7.2 With the increasing use of mobile electronic devices an analysis of the usage, allocation, procurement and contract monitoring for such devices will take place to ensure value for money is achieved.

- 7.3 Following the roll out of the P2P electronic procurement system, we will examine the effectiveness of the controls and procedures in place.
- 7.4 Corporate complaints are a risk to the Council. New protocols for handling complaints have recently been implemented. Our review will determine the effectiveness and compliance with such protocols.
- 7.5 A review on the operational procedures in place at Flintshire connects will be carried out before further roll out of the service to other locations within the Authority.

8 Lifelong Learning

- 8.1 Pupil/Student transport will be reviewed to establish if savings identified in the regional procurement review have been realised.
- 8.2 As in previous years time has been assigned to carry out reviews of grant claims as required by the Wales Audit Office.
- 8.3 The operational controls over the collection of income will be reviewed in the leisure service. The focus of the review will be on those centres with new and improved facilities.
- 8.4 We will continue to focus our school based reviews on risks identified from the annual self assessment. We will also target schools who have not completed their assessment.
- 8.5 The procedures in place for the opening and closure of schools will be reviewed this will include asset transfers/disposals and induction procedures for new staff.
- 8.6 The operation of the families first initiative will be the subject of an operational review.

9 Community Services

- 9.1 A review will be carried out to verify the integrity of the property masterfile data. The review will include consistency comparisons with other databases and the access controls in place.
- 9.2 The impact of the Welfare Reform Bill will be considered and our ability to meet our statutory obligations within the Homelessness legislation.
- 9.3 The contracting arrangements in place with external providers will be reviewed, particularly contracts for capital programme works.
- 9.4 We will review the new private rented sector loan scheme and the strategy for private sector renewals and improvements.
- 9.5 A review will be carried out on the Disability Service. The focus on this review will be the transition between the Children and Adult team to ensure a seamless transition.
- 9.6 Following the CSSIW inspection on Protection of Vulnerable Adults (POVA) a follow up review will be carried out to evaluate progress against the implementation of recommendations.
- 9.7 PARIS is the Council's electronic information system that supports professionals within Social Care. Our review will examine those modules implemented to ensure reliance can be placed on the accuracy of data and the efficiency of the system.

- 9.8 A cross cutting review between Children and Adult Services will be performed out on the commission of care to ensure value for money is maximised and appropriate contractual arrangements exist.
- 9.9 Following the implementation of the new Client Finance software, a review will be carried out to ensure the Council's Clients finances are safeguarded through the operational procedures in place.

10 Environment

- 10.1 The strategic risk register identifies a number of risks assigned to the Environment Directorate. In addition to the strategic risks we considered the operational risks identified in the Directorate Service Business Plans when drawing up our internal audit plan for the year. To address this, reviews will be performed on the Integrated and Public Transport Infrastructure – Bus service and Minerals and Waste Planning.
- 10.2 Waste Management has experienced significant disruption recently with considerable work being undertaken by the department. On completion, we will examine the effectiveness of the new procedures and contractual arrangements in place.
- 10.3 An analysis of fees and charges within the Environment Directorate will be carried out to ensure the fees are comparable with other local authorities and procedures are robust to collect income due.
- 10.4 Following discussions with Management it was agreed that reviews will be performed in the following areas to ensure effective and efficient operational procedures and controls are in place:
- Industrial Units;
 - Street Scene; and
 - Repairs and Maintenance following the implementation of the P2 system.
- 10.5 Regeneration is a key priority of the Authority and our review will determine whether the Council's objectives are being considered during the planning approval process.

11. Contract Audit

- 11.1 A contract audit will be performed on the new build / amalgamation of the schools in Shotton to evaluate and verify the appointment of contractors and compliance within the Council's Contract Procedure Rules.

12 Other Areas

- 12.1 We propose an annual allocation in the region of 500 days, to allow for a range of important activities including:
- Anti-fraud initiatives
 - Investigations
 - Ad-hoc requests for support
 - Follow up reviews

- Regional liaison and collaboration with other Internal Audit departments

13 Resources

- 13.1 The resources required to deliver the proposed plans are summarised in Appendix A, which demonstrates that an annual allocation of around 1450 productive working days is required in 2013/14. This is around 100 days less than last year, and reflects the fact that the department is running with a vacancy. The plan will be delivered by the Flintshire in house team.
- 13.2 As a result of the major investigation in 2012/13 which has not been finalised the number of days provided for investigations has increased to 300.
- 13.3 The role of internal audit within the Authority is changing with more emphasis on advisory / consultancy work, in particular Flintshire Futures and the Lean Teams, and on collaborations / partnerships. This is reflected in the plan. However, this will not impact on the completion of the core regulatory and risk based work completed by the team.
- 13.4 Projects planned for the second and third years of the plan are indicative and may change. Therefore the number of days for those projects has not been completed at this time. The days can be allocated in later planning cycles according to the current priorities.
- 13.5 The analysis shows the breakdown between the category of work undertaken within the directorates.

14 Considerations Required of the Audit Committee

- Does the Strategy for Internal Audit (as set out at Appendix A) cover the organisation's key risks as they are recognised by the Audit Committee?
- Does the audit strategy include all those areas that the Audit Committee would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?
- Does the detailed internal audit plan for the coming financial year reflect the areas that the Audit Committee believe should be covered as priority?

CORPORATE

Risk Based Coverage:

Risks / Source	Risk Area	Auditable Area	2013 /14	2014 /15	2015 /16
Council Governance					
4	Risk Management. Effective corporate systems for risk management and business continuity	To provide assurance to Directors and members that the Authority has effective arrangements for risk management and business continuity management and that risks identified by the Authority are being effectively managed.	10	X	X
Council Leadership					
CL14	NWRWTP	To provide an opinion to the Joint Committee and FCC on governance, risk management and the effectiveness of controls.	20	X	X
CL15	Theatre Clwyd	To provide assurance on the effective and efficient use of funding	10		

Coverage for External Audit Reliance or to fulfil Regulatory Requirements:

Systems	Source of Requirement	2013 /14	2014 /15	2015 /16
Performance Information	To provide assurance that the reporting of performance is accurate	5	X	X

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Lean Team	Follow up of review on the implementation of recommendations	5		
Taith	To provide an opinion to the Joint Committee and FCC on governance, risk management and the effectiveness of controls.	10		

Advisory / Consultancy work:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Flintshire Futures	Participation in project with the Flintshire Futures teams.	10	X	X
Corporate Governance	Continuing participation in CGWG, provision for additional work as necessary	10	X	X
Collaborations	Review the rigour of business cases to ensure the collaborations are of benefit to Flintshire	10		
Local Partnerships	Identify all partnerships and governance arrangements, work with PPPU on performance and the rigour of self assessment	10		

Total	100		
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FINANCE

Risk Based Coverage:

Risks/ Source	Risk Area	Auditable Area	2013 /14	2014 /15	2015 /16
Council Governance					
CG06	Medium Term Financial Strategy and Plan	Follow up previous audit report, taking into account developments of the strategy.	5		
CG07	Financial Management and Control	Review of financial reporting and management accounts, including budget setting.	15		

Coverage for External Audit Reliance or to fulfil Regulatory Requirements:

Systems	Source of Requirement	2013 /14	2014 /15	2015 /16
Main Accounting	Key control reviews - General Ledger, Accounts Receivable, Accounts Payable, General Ledger feeder systems	30	X	X
Housing Benefit	To satisfy external requirements of Department of Work and Pensions. Council Tax Benefit will change under Welfare Reform	20	X	X
Council Tax and NNDR	Key Control review	20	X	X

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Corporate Debt Management	Systematic audit of debt management and enforcement arrangement	15		
CIVICA – new cash management system	System in place from March 2013, covering all payment types in all cash offices, website and phone payments. Review to include PCI DSS compliance, consistent procedures / online payments / interface with masterpiece and key business systems	15		
Corporate Grants	Follow up review		X	
Insurance	New management arrangements. Review progress re insurance strategy		X	
Capital Programme	Review capital programme strategy. To review the integration of capital and revenue funding, in order to achieve Council objectives		X	
Treasury Management	To verify that effective Treasury Management arrangements are in operation which ensure the security of the Councils cash, following the transfer of the function to Corporate Finance in 2012/13	10		
Fees and Charges	To review the implementation of the new Policy, which is being developed		X	

Total	130		
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PENSION FUND

Coverage for External Audit Reliance or to fulfil Regulatory Requirements:

Systems	Source of Requirement	2013 /14	2014 /15	2015 /16
Pensions Administration and Contributions	External audit to place reliance on testing undertaken by internal audit. Verification of the contributions made from admitted bodies	15	X	X

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Pensions Investment Management and Accounting	To verify that effective Treasury Management arrangements are in operation which ensure the security of the Pension Fund cash	15	X	X

Total	30		
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LEGAL AND DEMOCRATIC SERVICES

Risks / Source	Risk Area	Auditable Area	2013 /14	2014 /15	2015 /16
Council Governance					
CG23	Data Protection	Assist with ICO inspection and carry out follow up of findings later in the year	15		

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Electoral Register	Review procedures and processes in relation to the maintenance of an accurate and up to date register			X
Legal Counsel	Review of the use of Counsel	10		
Freedom of information / EIR	To review compliance with external regulation		X	
Court Dates	Review procedures for ensuring court deadlines are met	10		
Document Sealing	Review sealing of documents process and security of seals		X	

Total	35		
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HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

Coverage for External Audit Reliance or to fulfil Regulatory Requirements:

Systems	Source / Rationale	2013 /14	2014 /15	2015 /16
Payroll & HR System	Regulatory annual audit. Including auto enrolment of pensions. Forms part of the overall external audit opinion on the application of controls.	20	X	X

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Absence Management and Return to Work	To review sickness returns, triggers, long-term absences, referrals to Occupational Health, return to work interviews, and use of management information	15		
Criminal Records Bureau	Review CRB compliance in the light of the HR service review.		X	
Corporate Training	To look at how training needs are being met, both internally and through the use of external training providers	20		
Occupational Health	Examine the partnership agreement between FCC and WBC, including the effectiveness of the OPASS system		X	
Equalities	Review issues around the capture of the data required including the use of self service	5		
Staff Induction	Compliance review of staff inductions by managers / corporate induction.	15		
Honorariums, Acting up allowances and ex-gratia payments	Following single status, review compliance against policy	15		
Overtime payments	Ensure overtime payments are accurate and in accordance with the pay structure	10		
Car Allowances	Following single status review car allowances		X	
Salary overpayments	Compliance review following the implementation of new procedures	10		
Teachers Pay	Joint review with Lifelong Learning – harmonisation of procedures		X	
I Trent - expenses	Systems review of expenses module	10		

Advisory / Consultancy Work:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Implementation of Single Status	Continuing work on the implementation of Single Status. Review the processes engaged in the costing of the Pay Model	20		
I Trent - developments	Advisory on future developments e.g. training module	5		
Agile working	Advice / consultancy on agile working	5		

Total	150		
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INFORMATION AND COMMUNICATIONS TECHNOLOGY

Risk Based Coverage:

Risks / Source	Risk Area	Auditable Area	2013 /14	2014 /15	2015 /16
Council Governance					
9	IT Governance	Project Review the governance arrangements in place for ICT projects		X	

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Disposal of ICT equipment	Examine arrangements for the disposal of both hardware and software.		X	
Moodle	Review Moodle security arrangements	15		
Wireless Security	Review operational controls / security arrangements.			X
Mobile devices / usage	Analysis of usage and allocation of mobile phones / devices, procurement, contracts, monitoring and billing arrangements to ensure value for money is achieved	15		
Server Licensing	Review arrangements for ensuring current server licences are in place and value for money is achieved	10		
Agile working	Post implementation review on the effectiveness of controls and compliance with policies and procedures			X
Total		40		

PROCUREMENT AND CUSTOMER SERVICES

Risk Based Coverage:

Risks / Source	Risk Area	Auditable Area	2013 /14	2014 /15	2015 /16
Council Governance					
18	P2P System	System based audit on the control environment within the new P2P system	20		
13	Flintshire Connects	Review of the systems in place.	5		

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Contract Procedure Rules	Compliance with updated CPRs following the implementation of P2P and E Sourcing		X	
E Sourcing	Examine compliance and effectiveness of E Sourcing		X	
Credit Cards	Examine the effective use and monitoring arrangements in place for corporate credit cards		X	
Corporate Complaints	Review the effectiveness and consistency of the new protocols across the authority and the effect these have on the achievement of the KPIs	10		
Total		35		

LIFELONG LEARNING

Coverage for External Audit Reliance or to fulfil Regulatory Requirements:

Systems	Source of Requirement	2013/ 14	2014/ 15	2015/ 16
Grants	WAG requirement for Internal Audit to review specified grants e.g. community schools	10	X	X

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Leisure Service	Review operational controls over income streams across all centres particularly those with new and improved facilities	20		
Pupil / Student Transport	Eligibility compliance review. Review procedures for regional procurement and whether identified savings are being achieved	15		
Families First	Review of operational controls	10		
School Funds	Follow up review of the implementation of the new procedures	5		

Advisory / Consultancy work:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Control Awareness Sessions New Heads and Governors	Presentations to Headteachers and Governors to make them aware of control requirements and the audit process	5	X	X

Schools Audits:

Control and Risk Self-Assessment	Annual assessment of schools control framework	15	X	X
Risk based thematic reviews	Results suggest areas to cover include Assets, Insurance, CCTV and Budgetary Control.	40	X	X
School Closures / Openings	Review control over closure and opening of schools to include transfer of assets, asset disposal, induction procedures, etc.	20		

Total	140			
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COMMUNITY SERVICES

Risk Based Coverage:

Risks / Source	Risk Area	Auditable Area	2013 /14	2014 /15	2015 /16
Council Delivery					
12d	Homelessness	To ensure that the Authority's statutory obligations are being met	15		
19	Travellers Services	Strategy being developed		X	
Community Leadership					
5	Mental Health Team	Examine the partnership, funding, contract and procurement arrangements in place for the team		X	
5	Localities	Review the localities team following their service review		X	

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Supporting People	Moving to regional delivery. Review once embedded		X	
Private Rented Sector	Review the strategy for private sector renewals and improvements. To include new loan scheme.	15		
Housing Maintenance System	Property masterfile data integrity checks; ensure data is consistent with estates asset register. Include review of access controls	20		
Housing Maintenance Contracts	Contracts with external providers particularly those carrying out capital programme works – value for money, tendering, contract management	20		
PARIS system	Examine the effectiveness and reliance of the current module in place and the development of the Finance module	15		
AROSFA – Respite Provision	Establishment review to ensure the operation is effective and efficient		X	
A2A Access Card	Review the effectiveness of the initiative		X	
Client Finances	Following the implementation of new software, examine the processes in place for the payments	10		
Direct Payments	Compliance review, considering the impact Direct Payments have on the Disability services and the Citizen Directed Support agenda		X	
Intake and Reablement	Review the Intake and Reablement Team to ensure efficiency and effectiveness following their service review		X	
POVA	A follow up review of the recommendations made as a result of the CSSIW inspection	5		
Youth Offending Team / Justice Service	Review the service arrangements of the team including funding arrangements		X	
Disability Service	Compliance review on the service and its effect on supported living	20		

Commissioning Team	Review to examine the procurement / contractual arrangements in place to ensure value for money	15		
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Advisory / Consultancy work:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Adoption Services – Partnership Arrangements	Advisory work on the renewal of the Adoption Partnership Agreement	5		

Total	140		
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ENVIRONMENT

Risk Based Coverage:

Risks/ Source	Risk Area	Auditable Area	2013 /14	2014 /15	2015 /16
Community Leadership					
CL11	Integrated Transport Infrastructure	Review of current bus services in place	15		
Council Delivery					
02	Streetscene	Examine the compliance with standards set, and their effectiveness	20		
4	Planning Control	Compliance review on planning applications		X	

Other Internal Audit Coverage:

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Repairs and Maintenance	Review the efficiency of procurement after the introduction of P2P	20		
Industrial Units	Review of the management of the units / return on investment	10		
Income from Fees and Charges	A review of all fees / charges, including benchmarking to ensure appropriate arrangements are in place for income generation	30		
Markets	Examine the effective and efficient operation of the markets		X	
Pest Control	Examine the effectiveness of service delivery, including out of hours provision		X	
Regeneration	Northern Gateway – ensure the Council's objectives are being considered whilst in discussions with the developers	10		
Fleet Management	Examine the effectiveness and implementation of the fleet review		X	
Waste Management	Service review, including the contractual arrangements in place and the sale of products	20		

Concessionary Travel	Compliance review		X	
Minerals and Waste Planning	Regional Team, SLA due to expire in March 2014. Examine the current SLA to ensure fees and charges are appropriate	10		
Communities First	Follow up		X	
Total		135		

CONTRACT AUDIT

Topic	Source / Rationale	2013 /14	2014 /15	2015 /16
Shotton Schools	New build / amalgamation of schools in Shotton	10		
21 st Century Schools	Advisory work – Procurement strategy	5		
Total		15		

INVESTIGATIONS, PROVISIONS AND DEVELOPMENT

	2013 /14	2014 /15	2015 /16
Pro-active fraud work and NFI	50		
Provision for investigations	300		
Provision for ad-hoc requests from Directorates	70		
Follow up reviews	30		
Audit Development - IDEA	20		
Regional Collaboration	30		
Total		500	

Overall Total		1450		
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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 13 MARCH 2013**
REPORT BY: **HEAD OF FINANCE**
SUBJECT: **ACTION TRACKING**

1.00 PURPOSE OF REPORT

1.01 To inform the committee of the actions resulting from points raised at previous Audit Committee meetings.

2.00 BACKGROUND

2.01 At previous meetings requests for information or reports have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.

3.00 CONSIDERATIONS

3.01 A summary of the points and the actions taken is provided at Appendix A. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

4.00 RECOMMENDATIONS

4.01 The committee is requested to accept the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

12.01 Appendix A – Summary of Action Points.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Contact Officer: David Webster
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AUDIT COMMITTEE ACTION SHEET

17TH JULY 2012				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
3	Minutes of previous meeting	Chair & Vice-Chair to meet with CE to discuss concerns on appraisals.	K Feather / H Stappleton	Completed. A new Competency based Appraisal process has been designed by the HR team, with input from managers from across the Council. Full consultation with key stakeholders – i.e. managers, Corporate Management Team, the Leadership Team and Joint Trade Unions has been undertaken. A programme for implementation of the new scheme is being developed.
6	Statutory Guidance on the Local Government (Wales) Measure 2011	A report to be brought back on the relative roles of the Audit Committee and the Corporate Resources Scrutiny Committee in relation to the Financial affairs of the Council, following the LG measure.	K Feather	The relative roles of Audit Committee and Scrutiny Committees was dealt with by a member workshop on 22 nd February 2013.

25TH SEPTEMBER 2012

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
4	Statement of Accounts	Councillor Jones asked if balance entries could achieve zero for the 2012/13 Accounts. The Head of Finance acknowledged that this was a reasonable target but said that some review work would be required first and she would report on progress.	K Feather	Will be considered within the preparation for the closedown of the 2012/13 final accounts.
4	Statement of Accounts	Disclosure of details of related party transactions (WAO para 30) - the Democracy & Governance Manager to work with the Head of Finance to improve the chasing up system.	K Feather / P Evans	To be built into the 2012/13 final accounts closedown programme.
7	Items deferred from the IA Plan	Communities First - the Internal Audit Manager said that this had only been raised recently and could be a possible change to the Plan.	D Webster	Included in audit planning for 2013/14, maintained as a review planned for 2014/15.

12TH DECEMBER 2012

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
42	Internal Audit Progress Report	To provide a note to the Committee on the number of occasions in recent years where the allocated number of investigation days has been exceeded.	D Webster	Completed. E mail sent to all Committee members 13 th December 2012.
42	Internal Audit Progress Report	To invite an appropriate senior officer in the Lifelong Learning Directorate to attend a future meeting of the Committee, possibly Jan 2013, to discuss the significant failings raised on school funds	D Webster	Completed. Lucy Morris attended January meeting.

12TH DECEMBER 2012

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
42	Internal Audit Progress Report	That where IA recommendations had not been implemented, particularly on fundamental areas of risk, future IA progress reports to include a summary paragraph giving detail on the area of risk, responsible manager, reason for non-implementation and whether this was acceptable.	D Webster	Process being developed to ensure that Directors and Corporate Heads can be included in. To be implemented from the June meeting.
43	Audit Committee Self Assessment against CIPFA Requirements	To progress training requirements in accordance with the indications on the self assessment questionnaire.	D Webster	All members contacted asking for any further training needs.

30TH JANUARY 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
2	Declarations of Interest	To pass DOI forms to Cllrs Attridge, Bateman, Cox, Halford, Jones and Woolley for their personal interest as school governors on Item 4. To pass DOI form to Cllr Banks for his personal and prejudicial interest on Item 8.	S Thomas S Thomas	Actioned. Forms sent to members. Actioned. Form sent to Cllr Banks.
4	School Fund Regulations	That a follow up review be included on the Audit Plan for next year.	D Webster	Actioned. Entered into plan for 2013/14.
6	Treasury Management	That the Audit Committee recommend the draft Treasury Management Strategy 2013/14, Treasury Management Policy Statements 2013-2016 and Treasury Management Practices 2013-2016 to Cabinet on 19/02/13 subject to the amendments	K Feather	Actioned.

30TH JANUARY 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
6	Treasury Management	That the Finance Manager - Strategy & Technical liaise with other North Wales Authorities and Town and Community Councils to explore the suggestion for a joint approach on investments.	L Thomas	Joint approach to investments to gain higher interest rates has been initially researched with results being reported in the TM quarterly update report to this meeting.
7	Forward Work Programme	That the Forward Work Programme be amended to include the Audit of Financial Statements as a separate item for the September 2013 meeting.	D Webster	Actioned.
8	Tracker Investigation Outcome	That the Committee endorse the need for the Internal Audit review to provide assurance on the new procedures.	D Webster	Review has commenced.
9	Management of Internal Audit	That the Committee's view on the options available for the future management of Internal Audit from 1 April 2013 be reported to Cabinet on 19/02/13.	K Feather	Actioned.

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 13 MARCH 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **FORWARD WORK PROGRAMME**

1.00 PURPOSE OF REPORT

1.01 To consider the forward work programme for the Audit Committee for the next year.

2.00 BACKGROUND

2.01 Items feed into the Committee's forward work programme from a number of sources. In order to better manage the workflow for the Audit Committee, the draft programme needs to be kept under review.

3.00 CONSIDERATIONS

3.01 The programme is attached, Appendix A. It has been compiled based on the work that has been done in previous years and from information received from the various contributors to the committee.

3.02 Although the programme gives the basis of the work of the committee, it will be subject to change as necessary during the year. Changes will be notified to the Committee when they become known. Members may also wish to propose subjects for future reports or discussion.

4.00 RECOMMENDATIONS

4.01 That the committee considers the draft Forward Work Plan and approve / amend as necessary.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Publication of this report constitutes consultation.

11.00 CONSULTATION UNDERTAKEN

11.01 Publication of this report constitutes consultation.

12.00 APPENDICES

Appendix A – Forward Work Programme.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Contact Officer: David Webster
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AUDIT COMMITTEE
FORWARD WORK PROGRAMME 2012/13 and 2013/14

MEETING DATE	AGENDA ITEM	AUTHOR
12 June 2013	<ul style="list-style-type: none"> • Assessment of Internal Audit Report (WAO) • Regulatory Programme (WAO) • Annual Improvement Report (WAO) • Certification of Grants and Returns Report (WAO) • Internal Audit Progress Report • Internal Audit Annual Report • Public Sector Internal Audit Standards • Action Tracking • Forward Work Programme • CSSIW Annual Report 	<p>David Webster David Webster David Webster David Webster David Webster</p>
17 July 2013	<ul style="list-style-type: none"> • Draft Statement of Accounts • Draft Annual Governance Statement • Treasury Management Update and Annual Report 2012/13 • Financial Procedure Rules • Risk Management update • Audit Committee Terms of Reference 	<p>Liz Thomas Kerry Feather / Gareth Owens Liz Thomas</p> <p>Liz Thomas Vicki Woolf David Webster</p>
September 2013	<ul style="list-style-type: none"> • Statement of Accounts 2012-13 • Audit of Financial Statements (WAO) • Treasury Management Mid Year Updates • Internal Audit Progress Report • Action Tracking • Forward Work Programme 	<p>Liz Thomas</p> <p>Liz Thomas David Webster David Webster David Webster</p>

MEETING DATE	AGENDA ITEM	AUTHOR
December 2013	<ul style="list-style-type: none">• Treasury Management Update• Internal Audit Progress Report• Action Tracking• Forward Work Programme• Risk Management update	Liz Thomas David Webster David Webster David Webster Vicki Woolf
January 2014	<ul style="list-style-type: none">• Treasury Management Update and Strategy	Liz Thomas