

# Public Document Pack

Gareth Owens LL.B Barrister/Bargyfreithiwr  
Chief Officer (Governance)  
Prif Swyddog (Llywodraethu)



To: Cllr Tim Newhouse (Chairman)

CS/ST

Councillors: Glyn Banks, Haydn Bateman,  
Alan Diskin, Alison Halford, Ian Roberts and  
Arnold Woolley

16 September 2015

Paul Williams

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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 **THURSDAY, 24TH SEPTEMBER, 2015** at **10.00 AM** to consider the following items.

**PLEASE NOTE: For Agenda Item 4, Members are requested to bring with them to the meeting the County Council agenda of 24 September 2015.**

Yours faithfully

Democracy & Governance Manager

## **AGENDA**

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **MINUTES** (Pages 3 - 12)  
To confirm as a correct record the minutes of the meeting held on 15 July 2015 (copy enclosed).
- 4 **STATEMENT OF ACCOUNTS 2014/15** (Pages 13 - 16)  
Report of Corporate Finance Manager enclosed.

- 5 **INTERNAL AUDIT PROGRESS REPORT** (Pages 17 - 44)  
Report of Internal Audit Manager enclosed.
- 6 **ACTION TRACKING** (Pages 45 - 50)  
Report of Internal Audit Manager enclosed.
- 7 **FORWARD WORK PROGRAMME** (Pages 51 - 54)  
Report of Internal Audit Manager enclosed.

**AUDIT COMMITTEE**  
**15 JULY 2015**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 15 July 2015

**PRESENT:**     **Councillor Tim Newhouse (Chairman)**

Councillors: Glyn Banks, Haydn Bateman, Alison Halford, Ian Roberts and Arnold Woolley

**LAY MEMBER:** Mr Paul Williams

**SUBSTITUTE:** Councillor Ian Dunbar (for Alan Diskin)

**APOLOGIES:** John Herniman and Amanda Hughes of Wales Audit Office

**ALSO PRESENT:** Leader and Deputy Leader of the Council, Cabinet Member for Waste Strategy, Public Protection & Leisure

**IN ATTENDANCE:**

Chief Executive, Chief Officer (Governance), Internal Audit Manager, Corporate Finance Manager and Committee Officer

Ms. Michelle Phoenix of Wales Audit Office

Finance Manager - Technical Accountancy for minute numbers 20-23

Chief Officer (Organisational Change) for minute number 24

Chief Officer (Streetscene & Transportation) and Principal Auditor for minute numbers 27-29

**17.    SUBSTITUTION**

In line with the Constitutional requirement, the Committee agreed to allow Councillor Ian Dunbar to substitute for Councillor Alan Diskin. It was confirmed that Councillor Dunbar had undertaken the necessary audit training.

**RESOLVED:**

That Councillor Ian Dunbar be permitted as a substitute for the meeting.

**18.    DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

There were no declarations of interest.

**19.    MINUTES**

The minutes of the meeting held on 3 June 2015 were submitted.

## Matters Arising

Minute number 6: Audit Report on Mobile Phones - Councillor Ian Dunbar expressed his thanks for the information on Blackberry phones.

### **RESOLVED:**

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

## **20. DRAFT STATEMENT OF ACCOUNTS 2014/15**

The Corporate Finance Manager presented the Statement of Accounts 2014/15 (subject to audit) for Members' information only at this stage. To meet the statutory deadline, the accounts would be submitted to the Committee on 24 September for approval and recommendation to County Council on the same day, ready to be published on 30 September. This was a corporate document owned by every Member and officer of the Council and was the result of significant work across the Authority, in particular the Technical Accounting team in Corporate Finance.

A presentation was made covering the main areas:

- Purpose and Background
- Key Dates
- Responsibility
- Contents and Overview
- Links to Budget Monitoring
- Headlines - Council Fund, Reserves at Year End, Capital and Housing Revenue Account (HRA)
- Principal Statements
- Changes
- Progress on Action Plan
- Next Steps

The Finance Manager provided explanation on changes to the accounts in respect of new guidance on accounting for schools and the Council-owned North East Wales (NEW) Homes. Following national guidance on simplifying Local Authority accounts for the reader, a judgement had been taken that neither of the changes were material and therefore explanation had been set out in the accounts in disclosure Notes 39 and 30 respectively rather than the inclusion of a third balance sheet and a full set of group accounts. All Members would be notified in writing of the drop-in session in September which provided an opportunity to raise any queries on the accounts with Finance officers prior to final approval at County Council. An updated response was also given on actions taken to address the issues raised by Wales Audit Office (WAO) on the 2013/14 accounts following the action plan shared with the Committee earlier in the year.

Councillor Alison Halford referred to the increase in the precept for the North Wales Police & Crime Commissioner and felt that information should be shared with the public on use of these public funds. The Chief Executive said that this detail was not included in the accounts as the Police & Crime

Commissioner role was entirely funded by central government and not subsidised from the precept. He advised that Mr. Roddick's presentation at the County Council meeting the following week would include this type of information, and that Members would have an opportunity to raise further questions.

In response to a question on remuneration for Cabinet Members, the Chief Officer (Governance) advised that the annual report on the Schedule of Member Remuneration would be submitted to the next County Council meeting. The Chief Executive gave a reminder that the model in Flintshire comprised eight Cabinet Members (out of a maximum of ten permitted) and was therefore more cost-effective than some other councils.

On usable reserves, Councillor Haydn Bateman queried the transfer-in figure for Single Status. The Chief Executive said that the closing report on Single Status, as submitted to the Corporate Resources Overview & Scrutiny Committee earlier in the week, would be forwarded to Committee members for information. He advised that the remaining balance of reserves set aside would fund any future liabilities arising from incomplete workstreams together with future exit costs as part of the next phase of the business plan.

Councillor Halford requested details of the legal fees incurred by the Council in defending planning appeals together with any legal advice obtained externally on matters where this was not available in-house. The Finance Manager explained that the information was included in the accounts but not required by the Code of Practice as a headline figure. She agreed to extract this from the various budgets and respond to Members.

On officers' remuneration, Mr. Paul Williams queried the total exit packages for 2014/15. The Finance Manager explained how redundancies had been classified into compulsory and voluntary. The Chief Executive explained that the Council's policy was for all redundancies, whether voluntary or compulsory, to receive reimbursement against salary up to a maximum of 45 weeks, depending on the respective length of service. It was also pointed out that costs included the redundancy payment to the individual and additional pension 'strain' costs for the employer. Following comments from Mr. Williams that this should be qualified in some way within the accounts, the Chief Executive said that the Pay Policy Statement and Redundancy Policy could be referenced as part of the publication of the final accounts.

In response to questions from Councillor Glyn Banks, the Finance Manager provided information on the Council's borrowing for the HRA subsidy buyout which took place on 2 April and was therefore in the 2015/16 financial year. Note 23 had been included to inform the reader however no adjustment was needed to the accounts. When asked about NEW Homes, the Finance Manager explained that the income and expenditure at this early stage of the company was not considered to be material to the reader in comparison to that of the Council. This decision would be considered by WAO colleagues as part of the audit. In response to formatting issues raised by Councillor Banks, the Finance Manager noted these but said that careful consideration had been given to the presentation of the accounts including the cross-referencing of notes.

Councillor Bateman commented on the decrease in Council dwellings and was advised that this was a combination of Council properties being purchased by individuals and the demolition of the Flint maisonettes.

Mr. Williams referred to the increase in rent arrears written off during the period and sought assurance that the process of decision-making was being scrutinised. He was advised that this was under the remit of the Community & Enterprise Overview & Scrutiny Committee. To give assurance, the Chief Executive said that this could be considered by Corporate Resources Overview & Scrutiny Committee in the next budget monitoring report.

In response to a query by Mr. Williams on the increase in Net Fund Management Fees on the Clwyd Pension Fund, it was agreed that this would be raised at the next meeting of the Clwyd Pension Fund Committee.

**RESOLVED:**

- (a) That the draft Statement of Accounts 2014/15 (including the Annual Governance Statement), together with the underlying policies, be noted;
- (b) That the planned provision of 'drop-in' sessions over the summer period be noted.

**21. ANNUAL GOVERNANCE STATEMENT**

The Internal Audit Manager introduced a report to consider and approve the draft Annual Governance Statement (AGS) for 2014/15 which had been incorporated in the previous agenda item. The report detailed the work involved in producing the AGS, which was a statutory requirement, and preparations had involved the use of relevant guidance with input by senior officers and Members. As a result of the informal review of the draft AGS which had taken place prior to the June meeting, an amendment had been made to the section on in-year business planning to reflect the new risk management arrangements. No further queries had been raised with the Internal Audit Manager since the review.

The Chief Executive spoke about the level of work committed by officers to update governance arrangements and the approach to risk.

**RESOLVED:**

That the Annual Governance Statement attached to the Statement of Accounts be approved.

**22. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2014/15**

The Finance Manager - Technical Accountancy presented supplementary financial information to accompany the Draft Statement of Accounts 2014/15. Members were reminded that the information on consultants and non-permanent posts across the Council showed the theoretical annualised costs if those individuals had been employed for the whole year, as well as the actual costs incurred.

Following a question by Councillor Alison Halford, the Chief Officer (Governance) provided information on the IT work carried out by System Centre consultancy to help upgrade the Council's servers. Due to the scale of the project, external resources had been necessary to complete this significant piece of work as a one-off project.

In response to a query on costs incurred for the Occupational Health Physician, the Chief Executive said that the service was being delivered by a GP for one day per week, which was a more cost-effective model than the previous arrangement. The service was being shared by Wrexham County Borough Council on a commercial basis.

Following a question from Councillor Ian Dunbar, the Chief Executive advised that some costs, such as the Occupational Health service, were ongoing whereas others such as the SHARP Procurement Manager represented one-off costs. This complex, high-risk project required specific expertise not currently available within the Council however that experience had been passed to officers during the project.

Mr. Paul Williams queried the remuneration level for the Principal Accountant (Waste). The Chief Executive explained that the individual had been transferred to the Council under TUPE regulations which offered protection and had left the Council. The costs incurred were likely to be a combination of salary and redundancy payments.

**RESOLVED:**

That the contents of the report be noted.

**23. TREASURY MANAGEMENT ANNUAL REPORT 2014/15 AND 2015/16 QUARTER 1 UPDATE**

The Finance Manager - Technical Accountancy presented the Annual Report on the Council's Treasury Management Policy, Strategy and Practices 2014/15 together with an update on Treasury Management activity in 2015/16 to the end of June 2015.

An update on investments in Quarter 1 showed the position at 30 June along with comparative information for the previous quarter. Explanation was also given on the dip in yield due to the impact of banking reforms ('bail-in') as highlighted at previous meetings. During the borrowing update, reference was made to the implications of the exit from the Housing Revenue Account (HRA) subsidy system and the new arrangement which would generate revenue savings for investment in existing stock and extra housing.

In response to comments from Councillor Glyn Banks, the Finance Manager provided explanation on the terms of ending the subsidy system which meant that the Council was required to draw down loans to deliver a minimum interest payment of £3.3m for each of the first five years following settlement. At the end of the five years, dependent on wider market conditions, the Council could consider re-financing or repaying the loans. In response to a query on

investments, the Finance Manager spoke about the expectation for interest rates to rise and the exploration of new products that offered 'floating' rates moving with interest rates. When asked about details on the rescheduling of outstanding loans, she explained that this would form part of budget-setting work over the Summer period and would be included within the next Treasury Management update to the Committee.

On the investment portfolio, Councillor Haydn Bateman questioned the lower interest rate for the Oversea-Chinese Banking Corporation. The Finance Manager said that those recent investments had been made possibly due to the lower number of counterparties on the list and the agreed approach to spreading investments amongst as many counterparties as possible to reduce the impact of default.

Councillor Ian Roberts asked if the Council had received notification from NatWest Bank prior to the announcement of the branch closure in Buckley and whether any alternative arrangements had been made with schools and other users in that area. He added that users such as schools should not be disadvantaged by having to undertake additional journeys to pay in lunch monies and that there should not be no such additional costs to the Council on alternative arrangements. The Finance Manager confirmed that the Council had been informed and that NatWest was working with the Council to identify which establishments were using the branches closing in September. Work was underway to write to all regular users to ascertain details of transactional arrangements so that other viable options could be put in place prior to the closures, eg use of Post Offices or cash collection contracts.

**RESOLVED:**

That the report be noted.

**24. ASSET DISPOSALS AND CAPITAL RECEIPTS GENERATED 2012/13 - 2014/15**

The Chief Officer (Organisational Change) presented information regarding the disposal of assets during the period 2012/13-2014/15 and the capital receipts generated. He referred to a fall in the level of capital receipts in the current economic climate and work being carried out to protect this key resource. It was important that capital receipts were not ringfenced - an approach adopted some years ago - to allow use across the Council's strategic programme of activity. Appended to the report were details of targets and actual capital receipts generated over the period banded by values, area and asset types. At February 2015, it was anticipated that capital receipts for 2015/16 would be in the region of £2.8m.

Councillor Alison Halford asked if information could be broken down into each sale to give assurance on value for money. The Chief Officer explained that the information provided had been specifically anonymised as some were not yet available in the public domain. He said that the Council's Valuation Service considered each case in detail and often sought independent secondary advice on asset values from the District Valuer as a further measure. It was clarified that



local Members were able to request confidential information on asset disposals in their areas.

In addition, Councillor Ian Roberts gave a reminder that the consent of local Members was sought on the sale of land in their wards.

Councillor Halford referred to the difference between predicted and actual capital receipts generated in 2014/15 and felt that more information should be made available in the interests of transparency. The Chief Officer explained that the outcome of sales depended on the movement of the market and the ability of those involved to complete the sale transaction. He added that the figures mainly covered agricultural estates and that the receipts put the Council in a positive position to fund its capital priorities.

In response to further comments, the Chief Officer (Governance) reiterated that Members were entitled to request details of land sales for their areas but that confidentiality would need to be maintained to avoid prejudicing future land sales.

As assurance to the Committee, the Chief Executive said it was the responsibility of the Council's Assets Board, which included the Cabinet Member for Environment, to scrutinise the value of assets released and that the completed sale of two assets earlier than predicted had resulted in the target for 2014/15 being exceeded.

Mr. Paul Williams felt that the information provided did not contain enough detail for the Committee to determine value for money. Whilst acknowledging the confidential nature of the matter, he suggested that this could be maintained by the schedule indicating categories such as 'Property A', and giving details of value, sale amount and cost savings.

The Chairman said that the report would be received on an annual basis by the Committee.

As a member of the Assets Board, the Cabinet Member for Environment, who was present in the public gallery, gave assurance that a check and balance was in place for every capital receipt generated, with additional information sought and challenged where necessary.

**RESOLVED:**

That the report be noted.

**25. ACTION TRACKING**

The Internal Audit Manager presented an update report on actions carried out to date from points raised at previous meeting of the Committee. All actions stated were either in progress or had been completed.

**RESOLVED:**

That the report be accepted.

**26. FORWARD WORK PROGRAMME**

The Committee received the report on the Forward Work Programme for the next year. In response to a comment by Councillor Alison Halford, the Internal Audit Manager confirmed that a follow-up report on recommendations from the report on Waste Management would be scheduled.

**RESOLVED:**

That the Forward Work Programme be accepted.

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

**RESOLVED:**

That the press and public be excluded from the meeting as the following item was considered to be exempt by virtue of paragraphs 12 and 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

**28. WASTE MANAGEMENT INVESTIGATION**

The Internal Audit Manager presented the results of the Internal Audit investigation undertaken in 2012/13 into Waste Management and the subsequent disciplinary procedure. He introduced Lisa Brownbill, the Principal Auditor who had led the investigation, and detailed the complex circumstances surrounding the matter which had prolonged the investigation. The findings of the investigative report highlighted that a significant amount of work had been undertaken by Streetscene to improve controls.

**RESOLVED:**

That the report be received, along with the response from the Chief Officer (Streetscene & Transportation).

**29. WASTE MANAGEMENT INVESTIGATION - INTERNAL AUDIT REPORT**

The Chief Officer (Governance) introduced the report which detailed the impact of the investigation on the Streetscene service and the learning drawn from that for the Council. He stressed the importance of considering this information as most of the Internal Audit recommendations related to corporate systems beyond the Streetscene service such as:

- Improved controls on procurement processes including restricting the number of P2P system users and refresher training covering Contract Procedure Rules.
- Adoption of improved practices for the induction of new employees.
- Training programme to give assurance of employees' understanding of their obligations under the revised Officers' Code of Conduct.

The Chief Officer (Streetscene & Transportation) spoke about the timing of the investigation which had coincided with a period of significant change for the

Streetscene service. He thanked all those involved in the process and highlighted the importance of considering the impact on front-line employees and the service at that time. He added that the conclusions of the investigation had helped to strengthen corporate arrangements and eliminate potential for bad practice.

In acknowledging the pressure amongst employees carrying out their jobs at the time of the investigation, Mr. Paul Williams asked the Chief Officer to thank his workforce. He felt that the report had identified a number of 'triggers' which raised issues on the need for proper due diligence when transferring companies in-house and for Board representation to provide sufficient challenge on operations and finances. He went on to refer to previous comments raised by the Committee on the completion of appraisals within the Council which was an ongoing issue.

The Chief Executive spoke about the transfer of AD Waste which had been the first of this type for the Council. The investigation had shown a lack of satisfactory past governance arrangements between AD Waste and the Council. Some of the learning from the investigation involved work with Trade Union colleagues on reviewing and streamlining management of complex disciplinary cases, and the sourcing of external investigating officers as a more efficient way of project managing complex cases.

Following comments from Councillor Alison Halford, the Principal Auditor explained that one of issues identified was on the engagement of agency workers outside the set procedure. Councillor Halford felt it was the responsibility of senior officers to monitor such issues to avoid any corporate failings. The Chief Executive gave assurance of awareness of procedural rules across the organisation; in this case there was evidence of deliberate avoidance of certain rules such as procurement. The Principal Auditor said that the findings of the investigation supported this view.

Officers responded to a number of queries raised by Members about the employees involved in the investigation. Councillor Halford spoke about transparency of information to Council Members and members of the public. The Chair indicated that he was content to take guidance from the Chief Executive and Chief Officers on this matter. The Chief Officer (Governance) reminded Members of the need to maintain confidentiality and the implications if Data Protection regulations were to be breached. The Chief Executive gave assurance of the rigorous disciplinary process used by the Council to which the Internal Audit Manager was in agreement. The Chief Officer (Streetscene & Transportation) spoke about his confidence in the management of his service and of the improved controls which had been put in place.

Councillor Arnold Woolley expressed his disappointment at the historic issues which had been identified and felt that a greater level of accountability was required to address the failings.

In response to a question from Councillor Haydn Bateman, explanation was given on the process for transferring AD Waste to the Council. The Chief Executive spoke about the reasoning which had led to agreement on the transfer.

Councillor Halford referred to questioning on AD Waste by the Committee during the period which she felt had not been resolved by officers at the time.

Councillor Ian Roberts also recalled concerns raised by the Committee and he went on to question the level of scrutiny on governance arrangements at the time of the transfer. The Chief Executive said that AD Waste had been a long-established company with a sound trading record and that the findings of the KPMG review had resulted in Cabinet agreement to transfer the company. He spoke about issues subsequently raised which had made the process more complex.

Councillor Woolley said that the findings of the KPMG review had demonstrated the viability of transferring the company and timing involved. The Chief Executive and Principal Auditor provided further explanation on the circumstances surrounding the transfer of AD Waste and historic practices.

Mr. Williams reiterated that the Internal Audit findings had raised a number of issues which he felt should have been addressed through due diligence and scrutiny at Board level. The Chief Executive spoke about the approach to transferring the company and the challenges encountered at a later stage, and referred to the past relationship of trust between the Council and the company.

In noting officers' assurances on the improved controls put in place and lessons learned, Councillor Roberts felt that the matter had been satisfactorily dealt with and that there should be no apportionment of blame.

**RESOLVED:**

That the conclusions on wider learning arising from the report be agreed and the proposals for organisational action be endorsed.

**30. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC**

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

(The meeting started at 2.00 pm and ended at 4.50 pm)

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**Chairman**

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**  
**DATE:**               **THURSDAY, 24 SEPTEMBER 2015**  
**REPORT BY:**       **CORPORATE FINANCE MANAGER**  
**SUBJECT:**           **STATEMENT OF ACCOUNTS 2014/15**

### **1.00**    **PURPOSE OF REPORT**

1.01    To present to Members of the Audit Committee the Statement of Accounts for 2014/15, incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit.

1.02    To present to Members of the Audit Committee, the WAO's reports in connection with the audit of the 2014/15 financial statements -

- Flintshire County Council
- Clwyd Pension Fund

1.03    To present to Members of the Audit Committee; the Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund.

### **2.00**    **BACKGROUND**

2.01    The Audit Committee received the draft Statement of Accounts 2014/15 on 15th July 2015 - for information only at that stage; the Accounts and Audit (Wales) Regulations 2014 specify the statutory deadline for the approval of the accounts, being 30th September.

### **3.00**    **CONSIDERATIONS**

3.01    The audit of the 2014/15 accounts is now substantially complete; the audit continues up until the point at which the accounts are signed off by the auditors.

3.02    A copy of the Statement of Accounts for 2014/15 incorporating those changes agreed with WAO during the course of the audit and up to the point of writing this report, is included in the agenda for the County Council meeting for consideration in the afternoon (Members are requested to refer to the County Council agenda, which includes the Statement of Accounts).

- 3.03 Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 15th July - no further questions have been received over the summer period. Responses to all matters raised have been provided by letter to all Members of the Council. A drop-in session was arranged for Members on the 9<sup>th</sup> September to provide an opportunity for further explanation should Members have wished to take up the opportunity.
- 3.04 Under the International Standards on Auditing (ISA) 260, WAO is required to communicate relevant matters relating to the audit of the final statements to those charged with governance, which for this Council is the Audit Committee.
- 3.05 The WAO's ISA 260 reports 'Audit of the Financial Statements – Flintshire County Council' and 'Audit of the Financial Statements – Clwyd Pension Fund', are included in the agenda for the County Council meeting for consideration in the afternoon (Members are requested to refer to the County Council agenda, which includes the WAO ISA 260 reports).
- 3.06 Each WAO report includes details of significant issues arising from the audit, and a summary of corrections made to the draft financial statements. Any accounting issues relating to the audit findings will be reviewed internally during the current financial year (2015/16).
- 3.07 It is usual, within the course of the audit of any organisation, that items will be brought to the attention of the body being audited (in this case Flintshire County Council / Flintshire County Council – Administering Body of the Clwyd Pension Fund). The audit findings have been discussed in detail with the WAO, and those adjustments made have been reflected in the Statement of Accounts.
- 3.08 The Letter of Representation requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.
- 3.09 The Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund, are included in the agenda for the County Council meeting for consideration in the afternoon (Members are requested to refer to the County Council agenda, which includes the letters).
- 3.10 One of the issues arising from the audit of the 2013/14 Accounts was that the Council did not have a clear protocol that set out arrangements for the establishment, discharge and review of its reserves. A draft protocol is also included in the agenda for the County Council meeting for consideration (Members are requested to refer to the Council agenda, which includes the draft protocol).

**4.00 RECOMMENDATIONS**

4.01 Members are requested to recommend to County Council the final version of the Statement of Accounts 2014/15.

4.02 Members are requested to consider WAO's reports; Audit of the Financial Statements – Flintshire County Council, and Audit of the Financial Statements – Clwyd Pension Fund.

4.03 Members are requested to recommend to County Council; the Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund.

4.04 Members are requested to recommend to County Council the Reserves and Balances Protocol.

**5.00 FINANCIAL IMPLICATIONS**

5.01 None.

**6.00 ANTI POVERTY IMPACT**

6.01 None.

**7.00 ENVIRONMENTAL IMPACT**

7.01 None.

**8.00 EQUALITIES IMPACT**

8.01 None.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None.

**10.00 CONSULTATION REQUIRED**

10.01 None required.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None required.

**12.00 APPENDICES**

12.01 None

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

Various 2014/15 Final Accounts Working Papers

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**                   **THURSDAY, 24 SEPTEMBER 2015**

**REPORT BY:**           **INTERNAL AUDIT MANAGER**

**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    Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts as listed below.

2.02    The status of all projects in the 2015/16 plan as at 1<sup>st</sup> September 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.

2.03    Changes from the original plan for 2015/16 are outlined in Appendix B.

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

2.05    Appendix D gives a summary of all recommendations tracked since the last committee. For recommendations not completed by the due date, it also gives the view of the relevant Chief Officer on the acceptability of the reason for the delay and on the management of the risk that has arisen because of the delay.

2.06    Performance Indicators for the department and for the responses to reports are given in Appendix E.

2.07    An overview of current Investigations is given in Appendix F.

### **3.00      CONSIDERATIONS**

#### **3.01      Audit Plan and Resources**

Appendix A shows the plan for 2015/16. A few changes are detailed in Appendix B. Two audits have been added to the scheduled work, whilst one has been deleted as unnecessary.

The transition to the new software has resulted in a number of audit reviews which have exceeded their budgeted time. This in turn is one factor behind the slow start to this year's plan. At the same time the software has taken up a large amount of management time in implementation and tailoring to our needs. The delays will become less as the team become more familiar with the system and are able to use it effectively. This will be monitored closely to ensure that the pace of completion is picked up for the remainder of the year.

At the same time there have been a number of investigations and National Fraud Initiative work has taken place. In the first five months of the year we have used 55% of the annual budgeted time for this work.

The plan is subject to change, more so this year than in others. With the development of ADMs and restructures, the focus of audit needs to be flexible. The plan will remain under review during the year.

The plan includes some lower priority audits that could be deferred or deleted during the year if necessary depending on resources and demand.

3.02      The implementation of the integrated audit software is continuing. All current audit work now uses the software, with reports being generated from April. Recommendation tracking through the system will start shortly. Satisfaction questionnaires are now being issued via the system, which will aid the response rate in the future. Management information will build up over time as the system is used more and more.

#### **3.03      Final Reports**

All reports finalised since the last committee meeting are shown in Appendix C. Details for the School Thematic Review are also given. This is an overall review of specific topics within a number of schools to improve overall procedures and controls. Results are disseminated to all schools for information.

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

### 3.05 **Recommendation Tracking**

Appendix D shows the responses that have been received when tracking recommendations. The non-implemented recommendations will be tracked again at their new due date. They include four recommendations on Procurement which relate to the approved lists of suppliers. The continued use of the lists is being reviewed. The nine recommendations for Capital Strategy are the old recommendations discussed below.

For recommendations that have not been implemented on time the relevant Chief Officer is required to confirm that the reason and the new date are both acceptable to them and to report on how the risk is being managed before the recommendation is implemented. This ensures that they are aware of non-implementation and that they are able to take responsibility for the risk. The views of the Chief Officers are also shown in Appendix E. The original implementation dates and the new implementation dates are shown, and there is a column to show the view of Internal Audit.

After a request by the committee the old outstanding recommendations have been followed up and a breakdown is included in Appendix E. They are all still being actioned, but have required long-term solutions. Procurement recommendations will be cleared through the roll out of e-sourcing, for which training has commenced. The Capital Strategy is being developed and is planned to be presented to Cabinet in November. For Main Accounting, a protocol is being finalised and will be brought to the next meeting of the Audit Committee. The longest time period for completion relates to the Enforcement recommendations. These have been looked at over time through the finance function review, Flintshire Futures and now the finance modernisation programme. It is planned to procure a new accounts receivable system which will resolve the issues. The business case is nearing completion and it is expected that it will be in place in 2016.

### 3.06 **Performance Indicators**

Appendix E shows the range of performance indicators for the department following the changes to the way the department discusses audit findings and issues reports. These are generally good, although the number of audits completed within the planned time has fallen. This is reflecting the first audits finalised using the new software, which has taken some time for the auditors to become familiar with. This will be monitored to ensure that it improves. There is still a red for depts. returning satisfaction questionnaires, but the percentage has improved considerably. This will continue to improve with all questionnaires now issued and chased using the new software.

**3.07 Investigations**

Appendix F shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.

**3.08 Schools Whistleblowing Policies**

Following the Wales Audit Office report on whistleblowing arrangements, the committee expressed concern over the adoption of policies in schools. All schools have been contacted to confirm whether they hold a policy and to provide a copy for review. Sixty nine schools have responded so far, with sixty two having a policy in place. All results will be passed to the Chief Officer Education and Youth for his team to follow up as necessary.

**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 2015/16  
B Changes to the Operational Plan  
C Reports Issued  
D Recommendation Tracking  
E Performance Indicators  
F Investigations

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

**Contact Officer: David Webster**  
**Telephone: 01352 702248**  
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## Appendix A

### Operational Plan 2015/16

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
<b>Corporate</b>					
Delivery of the Business Plans	Advisory / VFM	R	40		2
Risk Management	Risk Based	A	10		3
Clwyd Theatre Cymru	Follow Up	A	10	1	WIP
North West Regional Waste Partnership	Risk Based	A	10		3
Corporate Governance	Risk Based	G	5		4
<b>Total Planned Days – Corporate</b>			<b>75</b>	<b>1</b>	
<b>Community and Enterprise</b>					
NEW Homes	Risk Based	R	10	2	WIP
Homelessness	Risk Based	R	15		4
Housing Benefit	System Based	R	15		4
Council Tax and NNDR	System Based	R	20		3
Corporate Debt Management	Risk Based	R	15	1	WIP
<b>Total Planned Days – Community &amp; Enterprise</b>			<b>75</b>	<b>3</b>	
<b>Education and Youth</b>					
Control and Risk Self-Assessment	Risk Based	R	15	9	WIP
Risk based thematic reviews across all schools including central controls	Risk Based	R	45	1	WIP
21 <sup>st</sup> Century Schools	Risk Based	R	15		3
Grants – Various WG requirement	System Based	R	15	2	WIP
Free school meals - Funding arrangements	System Based	R	15	1	WIP
School closures	Risk Based	G	5		3
<b>Total Planned Days – Education &amp; Youth</b>			<b>110</b>	<b>13</b>	

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
<b>Governance</b>					
Chair of the Council's Charity / Trust Fund	Risk Based	R	10	6	WIP
Network Security	Risk Based	R	* See note		4
FOI Requests	Risk Based	R	15	1	WIP
Data Protection	Advisory	R	10	1	WIP
Migration to Microsoft	Risk Based	R	15		4
Disposal of ICT Equipment	Risk Based	A	10		2
PCIDSS	Risk Based	A	20		4
Cloud computing	Risk Based	A	* See note		4
Anti-virus procedures	Risk Based	A	15	1	WIP
E Sourcing (Proactis)	System Based	A	15		4
Select List Including Financial Vetting of Suppliers	System Based	A	20		2
Contract Procedural Rules	Risk Based	A	20	17	WIP
Electoral Register	Advisory	A	5		DELETED
<b>Total Planned Days - Governance</b>			<b>155</b>	<b>26</b>	
<b>Organisational Change 1</b>					
Alternative Delivery Models	VFM	R	20	15	WIP
Leisure Services	System Based	G	20		3
Japanese Youth Exchange	Regulatory	G	5	3	WIP
<b>Total Planned Days – Organisational Change 1</b>			<b>45</b>	<b>18</b>	



Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
<b>Organisational Change 2</b>					
Electronic stock taking (catering bus plan)	Advisory	A	5		4
21 <sup>st</sup> Century Schools	Systems Based	A	15		3
CCTV	Risk Based	A	15		4
<b>Total Planned Days – Organisational Change 2</b>			<b>35</b>		
<b>People and Resources</b>					
Payroll	System Based	R	20		3
E-Teach (Supply Staff) – Payroll and Recruitment	VFM	R	20	16	WIP
Use of Relief, Agency and Self Employed Workers	Risk Based	R	20	1	WIP
Agile Working	Advisory	A	20		2
Human Concepts Software	Advisory	G	5		2
Main Accounting – Accounts Receivable (AR)	System Based	R	10		4
Main Accounting – Accounts Payable (AP) / P2P	System Based	R	20		3
Main Accounting – General Ledger (GL)	System Based	R	10		4
Treasury Management	System Based	R	15		3
Capital Programme	Follow Up	R	5	1	WIP
Insurance	Risk Based	R	10		4
Medium Term Financial Strategy	Risk Based	A	10		2
Collaborative Planning	Risk Based	G	5		2
Pensions Administration and Contributions	System Based	G	15		3
Pension Fund Governance	System Based	G	10		4
<b>Total Planned Days – People &amp; Resources</b>			<b>195</b>	<b>18</b>	

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
<b>Planning and Environment</b>					
Section 106 Agreements	Risk Based	R	15	2	WIP
Pest Control	Risk Based	A	5		3
Pollution Control	Risk Based	G	15		4
<b>Total Planned Days – Planning &amp; Environment</b>			<b>35</b>	<b>2</b>	
<b>Social Services</b>					
Client Finances / Receivership, including Community Living	Risk Based	R	20		3
Residential Care Homes	Advisory	R	20	1	WIP
Direct Payments	System Based	R	20	18	WIP
PARIS – Finance Module	Advisory	A	5		4
<b>Total Planned Days – Social Services</b>			<b>65</b>	<b>19</b>	
<b>Streetscene and Transportation</b>					
Concessionary Travel	Risk Based	R	20		4
School Transport – Contract Management	Risk Based	R	10		3
Waste Contract Management	Follow up	R	15		3
Waste Management	Follow Up	R	15		3
Integrated Transport	Advisory	R	5		3
Fleet Management	Advisory	A	5		3
<b>Total Planned Days – Streetscene &amp; Transportation</b>			<b>70</b>		

<b>Investigations, Provisions and Developments</b>		
Provision for investigations and pro-active fraud	111	200
Provision for ad-hoc requests from management		80
Follow up reviews		30
Audit development		20
IDEA		20
Advisory work		40
<b>Total</b>	<b>111</b>	<b>390</b>
<b>Overall Plan Total</b>	<b>210</b>	<b>1250</b>

\* Note: It may be necessary to bring in external resource to complete this technical ICT audit

## Definitions

### Risk based audits

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

### Systems based audits

Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.

### Advisory

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

### VFM (Value For Money)

Audits examining the efficiency, effectiveness and economy of the area under review.

### Follow Up

Audits to follow up recommendations from previous reviews.

### Additions

Audits added to the plan at the request of management, time used from the provision for requests.

**CHANGES TO THE AUDIT PLAN – SINCE THE LAST MEETING**

**Audits deleted /deferred from the plan**

**Governance**

Electoral Register – data matching against other databases no longer required.

**Audits added to the audit plan**

**Community and Enterprise**

Flying Start – request from new management.

**Social Services**

Housing Allocations – Controls around the new process

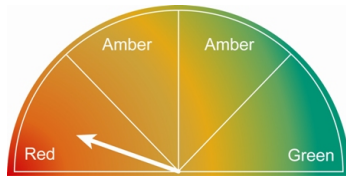
## Appendix C

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 red assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Level of Assurance	Recommendations		
			High	Med	Low
12-2014/15	Housing Benefits	Green	0	1	3
IT0101T1	Server Licensing	Amber +	0	1	1
IT161415	IT Helpdesk	Green	0	1	0
19-2014/15	Payroll	Amber -	0	8	6
HR0400T1	Attendance Management	Amber -	0	9	1
HR0800T2	Workforce Consultation Database	Amber -	1	2	5
HR0930U1	Equal Pay Claims	N/A	0	0	0
LL6000U1	Schools Thematic Review	Red	1	12	11
CS1000U1	Financial Assessment & Charging Team	Green	0	2	2
01-2014/15	3 <sup>rd</sup> Sector Commissioning	Amber -	0	10	4
22-2014/15	Recyclable Materials Follow Up	Some	0	7	6

### Levels of Assurance – standard reports.

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits or audits with **High** level recommendations will be reported to the Audit Committee.



**Urgent system revision required (one or more of the following)**

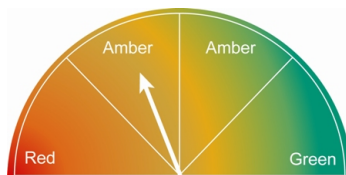
- Key controls are absent or rarely applied
- Evidence of (or the potential for) significant financial / other losses
- Key management information does not exist
- System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.

Impact: a lack of adequate or effective controls leading to a high probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.

**Significant improvement in control environment required (one or more of the following)**

- Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively
- Evidence of (or the potential for) financial / other loss
- Key management information exists but is unreliable
- System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.

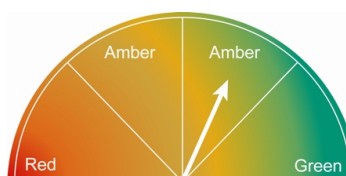
Impact: key controls are generally inadequate or ineffective and there is an increased probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.



**Key Controls in place but some fine tuning required (one or more of the following)**

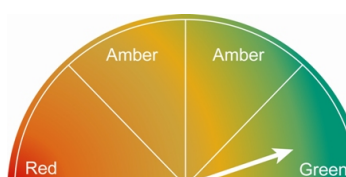
- Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact
- Some refinement or addition of controls would enhance the control environment
- Key objectives could be better achieved with some relatively minor adjustments

Impact: key controls generally operating effectively but there remains a potential risk of loss, fraud, impropriety or damage to reputation and / or failure to deliver organisational objectives.



**Strong controls in place (all or most of the following)**

- Key controls exist and are applied consistently and effectively
- Objectives achieved in a pragmatic and cost effective manner
- Compliance with relevant regulations and procedures
- Assets safeguarded



- Information reliable

Impact: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.

### **Levels of Assurance – follow up reports.**

Substantial. 75%+ of recommendations have been implemented. All high recommendations have been implemented.

Reasonable. 51-75% of recommendations have been implemented. All high recommendations have been implemented.

Some. 30-50% of recommendations have been implemented. Any outstanding high recommendations are in the process of being implemented.

Limited. <30% of recommendations have been implemented. Unsatisfactory progress has been made on the implementation of high recommendations.

### **Categorisation of Recommendations**

High, Medium, Low

Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses

### **Value For Money**

The definition of Internal Audit within the Audit Charter includes 'It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.'

These value for money findings and recommendations are included within audit reports. In the findings listed below they have been highlighted in bold italics

## **Summary of Findings and Action Plan of Reviews with Red Assurance level**

### **Schools Thematic Review – LL6000U1**

Seven schools were visited, with the following areas reviewed

- Data Protection, security and acceptable use of IT
- Legal responsibilities of the Governing Body
- The School Development Plan and its approval
- Financial management and budgetary control
- Private school funds
- Pupil statistics produced for funding purposes
- Purchasing procedures and commitment system
- Lettings and income generated by the School

We have made 1 high level recommendation and 12 medium level recommendations, based on the following:

- Governance - the need to have Terms of Reference and minuted meetings, annual Declaration of Interest forms and mandatory training.
- Procurement - the need to have documented systems and to ensure value for money.
- School income – the need to ensure money is held securely.
- School fund – the need to ensure separation of duties.
- Inventory / Assets – the need to maintain an inventory of assets.
- Data Security – the need to have an Information Security Management Policy and an Acceptable Use of IT Policy, to ensure equipment is encrypted, to register with the Information Commissioners Office, and to be aware of guidelines on the retention of documents.



Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
3.3	<p>All schools should ensure that all committee and sub-committee meetings are minuted, approved and retained.</p> <p>All schools should also ensure that an appropriate Terms of Reference is produced for each committee and sub-committee and these should be approved by the full Governing Body (if not already in place).</p>	Medium	Y	It is the responsibility of the school governing body to determine an effective committee structure. The LA can seek to remind schools of the requirement for appropriate terms of reference for example, at a future meeting of the Flintshire School Governors Association	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager
3.4	All schools should ensure that all Governors complete an annual Declarations of Interest form as soon as possible and arrangements should be made to ensure that declarations are included as a standard agenda item for all governing body committee and sub-committees (if not already in place).	Medium	Y	It is the responsibility of the school governing body to ensure that the regulatory duty is met. The LA can seek to reminder schools of their duty for example, at a future meeting of the Flintshire School Governors Association	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager
3.5	All schools should ensure that all Governors complete the mandatory training in line with the requirements as detailed within the Government of Maintained Schools Regulations 2013 (if not already in place).	Medium	Y	It is the responsibility of the school governing body to ensure that the regulatory duty is met. The LA can seek to reminder schools of their duty for example, at a future meeting of the Flintshire School Governors Association	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager

4.1	All schools should ensure that procedures for operating systems are documented as soon as possible in the event of absence to key personnel (if not already in place).	Medium	Y	It is the responsibility of the school governing body. The LA can seek to remind schools of their duty for example, at a future meeting of the Flintshire School Governors Association	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager
4.3	<b><i>To ensure that value for money is being achieved for significant purchases, all schools should be reminded of the requirements to obtain competitive quotations in line with Financial Regulations and Contract Standing Orders (if not already in place).</i></b>	Medium	Y	Schools will be reminded of the need to comply with Financial Procedures	By 31 December 2015	
5.1	All schools should be reminded of the appropriate arrangements for the security of monies including the insurance limits for cash being held.	Medium	Y	Schools will be reminded of the need to comply with Financial Procedures	By 31 December 2015	
6.3	All schools should ensure that a clear separation of duties exists for the school fund account, in particular for the reconciliation process.	Medium	Y	Schools will be reminded of the need to comply with Financial Procedures	By 31 December 2015	
7.1	<b><i>All schools should ensure that an appropriate inventory of all school assets is maintained. This should be checked on a defined basis and updated as and when required.</i></b>	Medium	Y	It is the responsibility of the school governing body. The LA can seek to remind Headteachers of the operational requirement for example, at a future meeting of the Flintshire Headteachers Federation	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager

8.1	All schools should ensure that the Information Security Management Policy is adopted and complied with, approved by the Governing Body and shared with all members of staff (if not already in place).	Medium	Y	It is the responsibility of the school governing body. The LA can seek to remind Headteachers of the operational requirement for example, at a future meeting of the Flintshire Headteachers Federation	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager
8.2	All schools should be informed of the requirement to ensure that all IT equipment is appropriately encrypted. Personal devices should not be used for storing school data unless the device is encrypted. A record of all encrypted devices to be used should also be maintained by the school and signed for when in use.	Medium	Y	It is the responsibility of the school governing body. The LA can seek to remind Headteachers of the operational requirement for example, at a future meeting of the Flintshire Headteachers Federation	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager
8.4	All schools should ensure that they are registered with the Information Commissioners Officer as a data controller to ensure compliance with the Data Protection Act (if not already in place).	High	Y	It is the responsibility of the school governing body to ensure that the regulatory duty is met. The LA can seek to remind schools of their duty for example, at a future meeting of the Flintshire School Governors Association	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager
8.6	All schools should be informed of the Records Management Society guidance and this should be used to ensure good practice is followed for the retention and disposal of school records.	Medium	Y	It is the responsibility of the school governing body. The LA can seek to remind Headteachers of the operational requirement for example, at a future meeting of the Flintshire Headteachers Federation	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager

8.7	All schools should ensure that an appropriate Acceptable Use of IT Policy is in place and all processes are adhered to (if not already in place).	Medium	Y	It is the responsibility of the school governing body. The LA can seek to remind Headteachers of the operational requirement for example, at a future meeting of the Flintshire Headteachers Federation .	By 31 December 2015	Staffing and Administrator / Governor Development Coordination Manager
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## Recommendation Implementation

## Status of Recommendations that reached their Implementation Dates in May, June and July 2015

Title	Reference	Date Issued	Response Received	Recommendations		
				Due	Implemented	Not Implemented
<b>CORPORATE</b>						
			Total	0	0	0
<b>GOVERNANCE</b>						
Procurement	CD0070S1	Oct-13	Yes	4	0	4
Mobile Phones & Devices Usage	IT0400U1	Feb-15	Yes	1	0	1
			Total	5	0	5
<b>PEOPLE &amp; RESOURCES</b>						
Safeguarding	HR0300U1	May-15	Yes	6	5	1
Recruitment and Induction	HR0350U1	Jan-15	Yes	9	6	3
			Total	15	11	4
<b>EDUCATION &amp; YOUTH</b>						
			Total	0	0	0
<b>SOCIAL SERVICES</b>						
			Total	0	0	0
<b>COMMUNITY AND ENTERPRISE</b>						
Communities First	EN1000U1	Mar-15	Yes	2	1	1
			Total	2	1	1
<b>PLANNING &amp; ENVIRONMENT</b>						
			Total	0	0	0
<b>STREETSCENE &amp; TRANSPORTATION</b>						
			Total	0	0	0
<b>ORGANISATIONAL CHANGE</b>						
Capital Programme	FD0090P1	Jan-12	Yes	9	0	9
			Total	9	0	9
			<b>Total</b>	<b>31</b>	<b>12</b>	<b>19</b>

### Recommendations Not Implemented – Comments from Chief Officers

Report	Original and new dates	Response From	Reason and new date acceptable	How is the Risk being Managed Before the Recommendation is Implemented	Internal Audit acceptance
Procurement – CD0070S1	Original Dates: 31.03.14 x 2 30.06.14 31.10.14	Gareth Owens	A report will go to COT in November to outline options regarding future use of approved lists and risks and implications. A task and finish group will be set up to do the review.	In the interim the existing approved list database continues to be used.	Yes
	New Dates: NO RESPONSE				
Mobile Phones & Devices Usage – IT0400U1	Original Dates: 13.03.15	Gareth Owens	This has been too low a priority. I will put arrangements in place to ensure that the policy is reviewed by this date.	The existing policy is on the Infonet. Any queries dealt with as they arise.	Yes
	New Dates: 31.10.15				
Safeguarding – HR0300U1	Original Dates: 31.05.15	Sharon Carney	Yes	The current level of usage is low, the start of the school year.	Yes
	New Dates: 31.10.15				
Recruitment and Induction – HR0350U1	Original Dates: 31.3.15	Sharon Carney	Yes	Updates to policy documents. Current practice has changed to reflect therecommendaions.	Yes
	New Dates: 31.10.15				

Communities First – EN1000U1	Original Dates: 31.05.15	Clare Budden	Yes.	Senior manager prioritising this work with Legal service.	Yes
	New Dates: 30.09.15				
Capital Programme – FD0090P1	Original Dates: Autumn 2012 x 9	Neal Cockerton	Much of the actions relate to the development of a Capital Strategy and Asset Management Plan which continues to be developed. I have therefore put a date of October for this in the context that it would be completed substantially at the end of August 2015, then consulted upon and finally sent into Cabinet October, training would follow on up to December 2015.		Yes. See below
	New Dates: Oct 15 x 7 Dec 15 x 2				

Status of outstanding recommendations that are more than two years old

Title	Reference	Date Issued	Recommendations			Paragraph
			Original Total	Implemented	Outstanding	
<b>GOVERNANCE</b>						
Procurement	CD0070P1	Nov-10	4	3	1	10
Procurement	CD0070R1	Mar-12	8	5	3	8a, 9b, 10c
<b>PEOPLE &amp; RESOURCES</b>						
Main Accounting	FD0080P1	Dec-11	11	10	1	24
Enforcement	FL0300L1	Feb-09	20	18	2	21, 29
<b>ORGANISATIONAL CHANGE</b>						
Capital Programme	FD0090P1	Jan-12	13	4	9	1, 2, 4, 5a, 5b, 6, 8, 9, 10















**Current Position**

Report	Reference	Recommendation	Current Position
Procurement CD0070P1	10	Central register of contracts	E Sourcing is currently being rolled out. It will include a central record of contracts, to be populated by management as new contracts are awarded using the system.
Procurement CD0070R1	8a	Contractors monitored for performance	A supplier performance questionnaire is included in E sourcing, to be completed by managers. Can be completed by supplier or for each contract
	9b	Satisfaction survey for contractors	Customer satisfaction form also included within E Sourcing
	10c	Central record of framework agreements	As above for register of contracts in E Sourcing.
Main Accounting FD0080P1	24	Protocol for earmarked reserves	Protocol currently being produced. To be brought to Audit Committee in December
Enforcement FL0300L1	21	All invoicing and debtors management systems to feed into Accounts Receivable ledger	New Accounts Receivable system being procured which will deal with this point. Expected to be in place 2016/17.
	29	Assess performance of credit control / debt recovery	Will be covered by the new Accounts Receivable system.
Capital Programme FD0090P1	1	Develop a strategy	Strategy currently being produced, to be completed in November
	2	FPR's include Prudential Code	Prudential Code not included in the new format FPRs, but is included in the Strategy.
	4	Priorities identified and options for funding modelled	Included in the Strategy
	5a	Prudential borrowing policy integrated with capital strategy	Included in the Strategy
	5b	Training to senior officers	Briefing sessions will take place once the Strategy is completed
	6	Training on prudential indicators	Briefing sessions will take place once the Strategy is completed
	8	Long term capital plans produced	Included in the Strategy
	9	Processes to evaluate capital projects	Included in the Strategy
	10	Rigorous entry requirements for the programme	Included in the Strategy.

## Appendix E

### Internal Audit Performance Indicators

Performance Measure	Q4	Q1	Target	RAG Rating
<b>Internal Audit Departmental Targets</b>				
Audits completed within planned time	78%	54%	80%	 ↓
Average number of days from end of fieldwork to end of debrief meeting	10.08	16.6	20	 ↓
Average number of days from debrief meeting to the issue of draft report	3.77	1.9	2	 ↑
Days for departments to return draft reports	13.85	7.3	3	 ↑
Average number of days from response to issue of final report	1.77	0.9	2	 ↑
<b>Total days from end of fieldwork to issue of final report</b>	<b>29.47</b>	<b>26.7</b>	<b>27</b>	 ↓
Client questionnaires responses as satisfied	100%	100%	95%	 →
Productive audit days	82%	80%	75%	 ↓
<b>Other Targets</b>				
Return of client satisfaction questionnaires	14.29%	53.33	70%	 ↑

Key  Target not achieved  Within 10% of target  Target Achieved

↑ Improving trend      → No change      ↓ Worsening trend

## Investigations

Ref	Date Referred	Investigation Details
<b>1. The following new referrals have been received</b>		
1.1	18.5.2015	A referral has been received concerning the use of monies on a grant funded scheme. This investigation is currently ongoing.
<b>2. The following investigations have been reported to previous committees and are still being investigated</b>		
2.1	05.11.2014	Internal audit have been informed of the alleged theft of money from a Community Network House which has affected three service users. The Police have been informed. No further action is to be taken until the outcome of the police investigation is known.
2.2	12.09.2014	An investigation has been undertaken into suspected fraudulent activity regarding Concessionary Travel by one bus operator. The case has been referred to North Wales Police, who are currently investigating. The contract with this bus operator has been suspended and alternative arrangements have been put in place to ensure a continued service to the public.
<b>3. The following investigations have been completed</b>		
3.1	22.04.2015	An allegation has been received concerning corrupt practices in the operation of a contract for buses. An investigation has been undertaken and was found to be unsubstantiated
3.2	25.06.2015	Internal audit assisted in an investigation into the inappropriate allocation of housing, two members of staff have admitted to inappropriately allocating housing and have been subject to disciplinary action.
3.3	23.02.2015	An investigation has been carried out into potential irregularities for the awarding of school transport contracts, a member of staff has been the subject of a disciplinary investigation. This investigation has now been concluded.

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**            **AUDIT COMMITTEE**  
**DATE:**                **THURSDAY, 24 SEPTEMBER 2015**  
**REPORT BY:**        **INTERNAL AUDIT MANAGER**  
**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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**Email: david.webster@flintshire.gov.uk**

## AUDIT COMMITTEE ACTION SHEET

<b>7<sup>TH</sup> MAY 2014</b>				
<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
93	Audit Committee self-assessment against CIPFA guide	The work of Internal Audit and the Policy, Performance and Partnerships team on external partnership governance and performance be shared with the Committee	Internal Audit Manager.	Review currently taking place, draft report prepared.

<b>10<sup>TH</sup> DECEMBER 2014</b>				
<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
42	Internal Audit Progress Report	That the Internal Audit Manager make representations to the Wales Chief Auditors Group, on behalf of the Committee, for all Welsh Councils to participate in the benchmarking exercise.	Internal Audit Manager	Raised at WCAG meeting 24.7.15.

**3<sup>rd</sup> JUNE 2015**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
7	WAO Review of the Council's Whistleblowing Arrangements	To follow up with the Chief Officer (Education & Youth) the comments and concerns raised on the need for schools to adopt a whistleblowing policy.	Internal Audit Manager	Schools contacted to confirm whether they have a whistleblowing policy in place and provide details of the policy.
12	Internal Audit Progress Report	To ensure that the audit on S106 Agreements is scheduled into the Plan for 2015/16.	Internal Audit Manager	Audit started w/c 14.9.15.
12	Internal Audit Progress Report	To report back to the Committee actions being taken on the 15 long-standing recommendations.	Internal Audit Manager	Included in Progress Report.



**15<sup>th</sup> JULY 2015**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
20	Draft Statement of Accounts	Letter to be sent to Members over 'drop-in' sessions	Finance Manager – Technical Accounting	Letter sent 3.9.15
20	Draft Statement of Accounts	Detail on the use of public funds / increase in P&CC precept to be covered in the presentation at FCC on 23.7.15	Chief Executive	Presentation to FCC, 23.7.15.
20	Draft Statement of Accounts	Part 2 report to CROSC on Single Status to be circulated to the Committee by email	Committee Officer	Circulated 16.7.15
20	Draft Statement of Accounts	To provide the Committee with information on external legal fees incurred by the Council during the period.	Corporate Finance Manager / Finance Manager – Technical Accounting	Included in letter, 3.9.15
20	Draft Statement of Accounts	Exit Packages (p55) to reference the Pay Policy Statement and Redundancy Policy when accounts published.	Finance Manager – Technical Accounting	To be completed when accounts published on 30 <sup>th</sup> September.

**15<sup>th</sup> JULY 2015**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
20	Draft Statement of Accounts	The increase in write-offs on rent arrears (p79) to be considered by CROSC in the next budget monitoring report.	Corporate Finance Manager	All rent arrears written off in line with the Council's Financial Procedure Rules.
20	Draft Statement of Accounts	The Clwyd Pension Fund Committee to look into the significant increase in Net Fund Management Fees (p87) at its next meeting.	Corporate Finance Manager	Added to agenda.
23	Treasury Management	To bring the results of forthcoming work on loan rescheduling / interest payments in the next Treasury Management report to the Committee	Finance Manager – Technical Accounting	Will form part of next Treasury Management report to Audit Committee in January 2016.
24	Asset Disposals	Report to be received on an annual basis by the Committee	Chief Officer (Organisational Change) Internal Audit Manager	Added to FWP
26	FWP	Follow up report on waste management recommendations to be scheduled	Internal Audit Manager	Added to Annual Plan.

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**  
**DATE:**                 **THURSDAY, 24 SEPTEMBER 2015**  
**REPORT BY:**         **INTERNAL AUDIT MANAGER**  
**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 as 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 Programme and approves/amends 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 arising directly from this report.

**8.00 EQUALITIES IMPACT**

8.01 None as a result of this report.

**9.00 PERSONNEL IMPLICATIONS**

9.00 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**

12.01 Appendix A – Forward Work Programme.

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

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**Telephone: 01352 702248**  
**Email: David.webster@flintshire.gov.uk**

**AUDIT COMMITTEE**  
**FORWARD WORK PROGRAMME 2015/16**

MEETING DATE	AGENDA ITEM	AUTHOR
<b>January 2016</b>	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Risk Management update</li> <li>• Corporate Governance Report</li> <li>• Treasury Management Mid-Year Update and Strategy</li> <li>• Annual Report on external inspections</li> <li>• Action Tracking</li> <li>• Forward Work Programme</li> </ul>	David Webster Karen Armstrong Peter Evans Liz Thomas Peter Evans David Webster David Webster
<b>March 2016</b>	<ul style="list-style-type: none"> <li>• Audit Plan (WAO)</li> <li>• Annual Improvement Report (WAO)</li> <li>• Treasury Management Update</li> <li>• Internal Audit Progress Report</li> <li>• Internal Audit Strategic Plan</li> <li>• PSIAS Compliance</li> <li>• Audit Committee Self Assessment</li> <li>• Action Tracking</li> <li>• Forward Work Programme</li> <li>• Private Meeting (WAO and IA)</li> </ul>	Karen Armstrong Liz Thomas David Webster David Webster David Webster David Webster David Webster David Webster

MEETING DATE	AGENDA ITEM	AUTHOR
<b>July 2016</b>	<ul style="list-style-type: none"> <li>• Certification of Grants and Returns Report (WAO)</li> <li>• Draft Statement of Accounts</li> <li>• Supplementary Financial Information to Draft Statement of Accounts 2015/16</li> <li>• Draft Annual Governance Statement</li> <li>• Treasury Management Update and Annual Report 2015/16</li> <li>• Asset Disposals and Capital Receipts</li> <li>• Internal Audit Annual Report</li> <li>• Internal Audit Progress Report</li> <li>• Risk Management Update</li> <li>• Financial Procedure Rules</li> <li>• Action Tracking</li> <li>• Forward Work Programme</li> </ul>	Liz Thomas Gary Ferguson Liz Thomas  Gareth Owens  Liz Thomas Neal Cockerton David Webster David Webster Karen Armstrong Sara Dulson David Webster David Webster
<b>September 2016</b>	<ul style="list-style-type: none"> <li>• Statement of Accounts 2015/16</li> <li>• Supplementary Financial Information to Statement of Accounts</li> <li>• Audit of Financial Statements (WAO)</li> <li>• Internal Audit Progress Report</li> <li>• Action Tracking</li> <li>• Forward Work Programme</li> </ul>	Gary Ferguson Gary Ferguson   David Webster David Webster David Webster