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To: Cllr Tim Newhouse (Chairman)

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

Co-opted Member:
Mr. Paul Williams

7 March 2017

Dear Councillor

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 15th March, 2017 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 **APOLOGIES**

Purpose: To receive any apologies.

2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

Purpose: To receive any Declarations and advise Members accordingly.

3 **MINUTES** (Pages 5 - 14)

Purpose: To confirm as a correct record the minutes of the meeting held on 25 January 2017.

4 **SCHOOL RESERVES AS AT MARCH 2016** (Pages 15 - 26)

Report of Chief Officer (Education and Youth) - Cabinet Member for Education

Purpose: This report sets out Flintshire school balances for year ending March 2016.

5 **PUBLIC SECTOR INTERNAL AUDIT STANDARDS** (Pages 27 - 74)

Report of Interim Internal Audit Manager -

Purpose: To inform the committee of the results of the annual internal assessment of conformance with the Public Sector Internal Audit Standards (PSIAS).

6 **CERTIFICATION OF GRANTS AND RETURNS 2015/16** (Pages 75 - 92)

Report of Corporate Finance Manager - Leader of the Council and Cabinet Member for Finance

Purpose: To inform members of the grant claim certification for 2015/16.

7 **WALES AUDIT OFFICE REPORT ON FINANCIAL RESILIENCE: SAVINGS PLANNING: COUNCIL RESPONSE** (Pages 93 - 112)

Report of Chief Executive - Leader of the Council and Cabinet Member for Finance

Purpose: To receive and endorse the findings of the Wales Audit Office report.

8 **TREASURY MANAGEMENT UPDATE 2016/17** (Pages 113 - 128)

Report of Corporate Finance Manager - Leader of the Council and Cabinet Member for Finance

Purpose: The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2016/17 to the end of February 2017.

9 **INTERNAL AUDIT PROGRESS REPORT** (Pages 129 - 156)

Report of Interim Internal Audit Manager -

Purpose: To present to the Committee an update on the progress of the Internal Audit Department.

10 **ACTION TRACKING** (Pages 157 - 162)

Report of Interim Internal Audit Manager -

Purpose: To inform the Committee of the actions resulting from points raised at previous Audit Committee meetings.

11 **WALES AUDIT OFFICE (WAO) AUDIT PLAN 2017** (Pages 163 - 204)

Report of Chief Executive and Corporate Finance Manager - Leader of the Council and Cabinet Member for Finance

Purpose: Present the Wales Audit Office audit plan for 2017 which sets out their proposed audit work for the year along with timescales, costs and the audit teams responsible for carrying out the work.

12 **INTERNAL AUDIT STRATEGIC PLAN** (Pages 205 - 228)

Report of Interim Internal Audit Manager -

Purpose: To present the proposed Internal Audit Plan for the period 2017/18 to 2019/20 for Members' consideration.

13 **FORWARD WORK PROGRAMME** (Pages 229 - 236)

Report of Interim Internal Audit Manager -

Purpose: To consider the Forward Work Programme of the Internal Audit Department.

14 **AUDIT COMMITTEE SELF-ASSESSMENT** (Pages 237 - 246)

Report of Interim Internal Audit Manager -

Purpose: To inform Members of the results of the Audit Committee self-assessment which will feed into the preparation of the Annual Governance Statement 2016/17. It will also form the basis for the provision of any further training required by the Committee.

NOTE: Annual Meeting with Internal and External Auditors

In accordance with the agreed procedure, members of the Audit Committee will meet with the Internal and External Auditors immediately following the meeting.

Yours sincerely



Robert Robins
Democratic Services Manager

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AUDIT COMMITTEE **25 JANUARY 2017**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 25 January 2017

PRESENT:

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

APOLOGIES: Councillors Tim Newhouse (Chairman) and Alison Halford, and Mr. Paul Williams (co-opted member)

ALSO PRESENT: Councillors: Bernie Attridge and Billy Mullin

IN ATTENDANCE:

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

John Herniman, Amanda Hughes and Matthew Edwards of Wales Audit Office

Chief Officer (Social Services) and Senior Manager, Safeguarding & Commissioning (for minute number 35)

Corporate Business & Communications Executive Officer (for minute numbers 36-37)

Finance Manager - Technical Accountancy (for minute numbers 39 & 40)

IT Infrastructure Manager (for minute number 41)

Tom Booty, Programme Manager, Facilities, Assets & Housing, Denbighshire County Council (for minute number 42)

Chief Officer (Planning and Environment) and Chief Officer (Organisational Change) (for minute number 47)

32. APPOINTMENT OF CHAIR

In the absence of the Chair and Vice-Chair, the Chief Officer (Governance) explained the requirement for the Committee to nominate a Chair for the meeting, based on the criteria set out within the Constitution. As the only eligible Member, Councillor Arnold Woolley accepted and this was agreed by the Committee.

John Herniman explained the approach by Wales Audit Office (WAO) to work with authorities on a rotational basis which meant that this would be the final meeting attended by Amanda Hughes. She was thanked by the Chairman for her work and Matthew Edwards, who would now be working with the Council, was welcomed. On behalf of officers, the Chief Executive spoke about the continuation of positive, professional working relationships with the WAO.

RESOLVED:

That Councillor Arnold Woolley be appointed Chairman for this meeting.

Councillor Woolley chaired the meeting for the remainder of the items.

33. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Councillor Glyn Banks declared a personal and prejudicial interest on agenda item 11 'Implementation of Contract Procedure Rules' as he was a contractor on the Council's approved list and would leave the room for this item.

Councillor Ian Dunbar declared a personal interest on agenda item 4 'Internal Audit Progress Report' as he was a governor of Connah's Quay High School which was mentioned on Appendix E.

34. MINUTES

The minutes of the meeting held on 26 September 2016 were submitted.

RESOLVED:

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

35. INTERNAL AUDIT PROGRESS REPORT

The Interim Internal Audit Manager presented the update on progress of the Internal Audit department including changes to the audit plan, action tracking, performance indicators and investigations.

Following concerns raised at the previous meeting, senior officers were in attendance to share an overview of the actions and safeguards taken in response to the red review of care provider overpayments. A reminder was given of the key findings to the audit which had been undertaken at the request of Social Services.

The Chief Officer (Social Services) acknowledged the overpayment as a serious error mainly arising from (i) the arrangement of a care package without the necessary contracts and (ii) the systematic error in failing to update the care and support plan. Whilst this was primarily an error on the part of the Council, the responsibility of the provider was also recognised. An agreed plan with the provider to repay the full amount over five monthly instalments was on track for completion. Internal Audit had worked with the team to put in place a range of safeguarding measures involving the checking of provider payments overseen by a panel, the completion of guidance on procedures and the verification of care plans. The work of the Task & Finish Group - established to improve governance arrangements as a result of this issue - was progressing well and was due to conclude at the end of April 2017. Until then, the Financial Assessment team would ensure that invoices were not processed for payment until details were cross-checked with the PARIS system. An additional amount of £68K from the

Health Board towards the cost in supporting the service user was being received in instalments and would be fully met by the end of the financial year.

The Senior Manager (Safeguarding & Commissioning) gave assurance on agreed actions implemented to strengthen procedures such as checks carried out by the Financial Assessment team, the rotation of officers to different roles to help identify issues and authorisation limits on invoices.

The Chief Executive was satisfied that actions on this individual case were progressing, without risk to the care provider, and that there was demonstrable evidence that the system controls were now in place.

Councillor Ian Dunbar spoke about the significance of the overpayment to the single provider. The Chief Executive reaffirmed that this was an error and not a case of any fraudulent behaviour. The quality of services of the care provider was not in question and repayment terms had been agreed and were in place. Speaking in agreement, the Chief Officer (Social Services) said that the Contract Monitoring team had confirmed there was no financial risk and that the safeguarding measures, along with any additional findings from the Task & Finish Group, would ensure correct use of the PARIS system.

Councillor Glyn Banks said that this matter did not detract from the excellent work of Social Services. On the actions being implemented, the Senior Manager acknowledged the challenges within team capacity in reviewing other learning disability payments as a priority area and gave assurances that the significance of the overpayment was recognised by officers.

As further assurance, the Interim Internal Audit Manager advised that the audit plan for 2017/18 would include provision for a review of the controls on provider payments.

The Chief Officer (Governance) gave a summary of the key findings of the red review report on compliance with the Payment Card Industry Data Security Standard (PCIDSS), the method of processing credit card payments from residents. Having become the nominated lead officer for PCIDSS, the Chief Officer would assume responsibility and have oversight of use the facility across all departments. Good progress was being made on the actions with some already implemented, such as the establishment of a working group which had determined a low merchant level across the Council.

A third red review report on Greenfield Valley Heritage Park was dealt with under a separate agenda item.

RESOLVED:

That the report be accepted.

36. STRATEGIC RISKS - MID YEAR REVIEW

The Corporate Business & Communications Executive Officer presented the position statement on the strategic risks contained within the Council's 2016/17 Improvement Plan.

The current assessment showed a significant reduction in the level of risk with 88% reported as either moderate or minor/insignificant, demonstrating effective risk management during the period. Although the six current red risks were being monitored, most involved factors outside the control of the Council or were due to financial challenges. Details were given on the National Procurement Service (NPS), the only risk which had increased in significance.

In response to Councillor Haydn Bateman, the Chief Officer (Governance) provided clarification on the NPS run by Welsh Government (WG) which sought to offer procurement savings to councils in Wales through a collaborative approach. Following an initial period, agreement had been reached with WG on the best use of procurement frameworks to achieve the best value for money in the interests of the Council. On a query from Councillor Ian Roberts, the Chief Officer spoke about disadvantages of a national framework and the effective joint procurement service currently in place with Denbighshire Council.

Councillor Ian Dunbar asked about funding for flood alleviation schemes and was informed that capital funding had been made available for 2017/18.

Councillor Bateman made reference to the potential effects arising from the increased work programme on the Welsh Housing Quality Standard (WHQS). The Chief Executive responded that there was a downward trend on this risk. Risk was inevitable given the scale of the programme and its implementation being at a mid-point. The risk remained open due to the potential for contractor under-performance, however this would reduce as the programme neared conclusion.

Councillor Ian Roberts highlighted contractor performance as an on-going concern.

RESOLVED:

That the Committee note the status of the 2016/17 mid-year summary of the strategic risks of the improvement priorities of the Council; endorsing the successful management of the risks.

37. CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT

The Chief Executive introduced a report on the updated Code of Corporate Governance and preparation process for the next Annual Governance Statement (AGS). Work on the AGS was underway and would be presented in June 2017 in its new format which was based on the national framework and guidance.

The Corporate Business & Communications Executive Officer spoke about the role of the Corporate Governance Working Group in reviewing the national guidance on the Code. The new format for the Code had been simplified and provided a framework to inform the AGS. As part of preparations for the AGS, the usual questionnaire had been circulated to seek the views of Overview & Scrutiny Chairs and Chief Officers.

Councillor Glyn Banks commended the approach. The Chairman recorded the thanks of the Committee to those on the Working Group.

RESOLVED:

- (a) That the Committee endorses the updated Code of Corporate Governance for adoption; and
- (b) That the Committee supports the process for the preparation of the Annual Governance Statement.

38. GRANTS AUDIT WORK 2015/16 - VERBAL UPDATE

The Corporate Finance Manager introduced a verbal update by the Wales Audit Office (WAO) on grants audit work for 2015/16 as previously requested by the Committee, in advance of receiving the final report at the next meeting.

Amanda Hughes advised that all claims had been audited except for one which was on track for completion the following month. She referred to concerns on previous grant audits and was pleased to report improvements in the quality of grants with the required checklist completed in each case. Of the 12 grants audited by 31 December 2016, seven were unqualified, three qualified, one amended and one qualified and amended, indicating a positive trend from previous statistics.

The Chief Executive said that previous inconsistency in the use of the checklist had been frustrating; the update demonstrated positive progress in implementing the recommendations.

RESOLVED:

That the verbal update be accepted.

39. WALES AUDIT OFFICE (WAO) - ANNUAL AUDIT LETTER 2015/16

The Corporate Finance Manager introduced the Annual Audit Letter from the Wales Audit Office (WAO) which summarised the key messages arising from the Auditor General for Wales' statutory responsibilities. He advised that the accounts action plan used in previous years to address issues highlighted by WAO was not required this year, as the issues now being raised were service specific. A post-project learning meeting had taken place enabling officers to work with WAO colleagues to make further improvements.

In acknowledging the progress made, John Herniman of WAO reported a significant improvement in issues identified this year and highlighted the earlier deadline required for closure of the accounts.

On a query by Councillor Haydn Bateman, Mr. Herniman explained the need for the Council to investigate any potential liabilities from the former waste disposal sites to establish if financial provision was required within the accounts. The Chief Executive said that this was an ongoing technical accounting issue which did not pose any public risk. The Finance Manager advised that complex

testing work was being carried out at the sites and that until its conclusion, £250K had provisionally been set aside in the Capital Programme as a contingency.

RESOLVED:

That the WAO Annual Audit Letter for 2015/16 be noted.

40. TREASURY MANAGEMENT - STRATEGY 2017/18, MID-YEAR REPORT 2016/17 AND QUARTERLY UPDATE 2016/17

The Finance Manager - Technical Accountancy presented the draft Treasury Management Strategy 2017/18 for review and discussion, seeking recommendation to Cabinet. Also presented was the draft Treasury Management Mid-Year report for 2016/17 prior to consideration by Cabinet, and a quarterly update for information.

Attention was drawn to key areas of the Strategy, although there were no significant changes from the 2016/17 Strategy. There was a continued focus on reducing cash balances and increasing borrowing. It was noted that the borrowing limits under Section 9 of the Strategy would be slightly reduced prior to submission to Cabinet and Council.

Councillor Haydn Bateman sought clarity on the advice given by Arlingclose on interest rates. The Finance Manager said that this was in line with expert predictions and reflected the potential impact of leaving the European Union and economic uncertainty in global markets. On the investment portfolio, a range of factors were involved such as market conditions, security and yield, however the priority was to maintain liquidity.

In response to questions from Councillor Glyn Banks, the Finance Manager said that the variations in total investment figures over the six month period were due to cash fluctuations during the year i.e. grant funding received and spent during that time. On debt rescheduling, she explained that this was an expensive option and agreed to a request to share examples showing repayments and savings made. On further queries, the Strategy allowed for flexibility to ensure borrowing at the right time. The approach to the investment of money borrowed in advance of need was set out and future long-term borrowing requirements may involve the use of 'forward starting loans'.

RESOLVED:

- (a) That the Committee recommends the draft Treasury Management Strategy 2017/18 to Cabinet on 14 February 2017 and confirms there are no matters which it wishes to raise;
- (b) That the Committee recommends the draft Treasury Management Mid-Year Report 2016/17 to Cabinet on 14 February 2017 and confirms there are no matters which it wishes to raise; and
- (c) That the Committee notes the Treasury Management 2016/17 quarterly update.

41. MOBILE PHONES - PROGRESS UPDATE

The IT Infrastructure Manager presented an update report showing a breakdown of cost and use of mobile phones in the Council for 2015/16 compared with information previously shared for 2014/15.

The position in March 2016 showed a reduction in the number of mobile phones and costs, with further reductions expected following the introduction of new contractual arrangements involving inclusive tariffs. The Mobile Phone and Smartphone Policy had been updated and approved, and the new arrangements were expected to generate around £111K of savings each year.

The Chairman referred to concerns about the possible use of mobile phones for purposes other than work. The Manager gave assurance of regular monitoring of usage across portfolio areas. The Chief Officer (Governance) said that high usage was not an issue due to the inclusive minutes tariff.

Councillor Glyn Banks commended the terms of the new contract and projected efficiencies. In response, the Manager said that the full year savings could not be given due to the period of transferring to the new terms between August and November 2015, and the changing mobile phone estate.

The Chief Executive welcomed the improved cost controls, and observed that cost and usage were low in comparison to similar sized organisations where a large number of employees worked in a mobile way. He gave a reminder that mobile phones not only enabled work base and customer contact but also supported lone working and personal safety.

Councillor Ian Dunbar said that the report addressed the concerns previously raised.

RESOLVED:

That the Committee is assured that the costs and processes for mobile phones are satisfactory.

42. IMPLEMENTATION OF CONTRACT PROCEDURE RULES

The Chief Officer (Governance) introduced an update on the implementation of the Contract Procedure Rules (CPRs) with particular focus on contract management, as requested at the previous meeting.

Since approval of the CPRs in September 2016, only a small number of contracts had been let and therefore there was limited evidence at this stage to demonstrate how the CPRs were working in practice. The initial findings of an Internal Audit review of contract management across Flintshire and Denbighshire Councils were shared and would form part of the finalised report to be brought to a future meeting.

Tom Booty, Programme Manager, Facilities, Assets & Housing at Denbighshire County Council reminded Members that the CPRs had been adopted in Denbighshire at an earlier stage and that bespoke support was given

to teams where issues had been identified. In Flintshire, there was good attendance at training sessions which were scheduled for another six months.

Councillor Ian Dunbar asked about guidance for dealing with sub-contractor issues which had been an area of concern. Mr. Booty explained that contracts were between the Council and main contractor whose work was subject to quality monitoring whether directly or indirectly through a sub-contractor. It was therefore the contractual responsibility of the main contractor to deal with any issues.

The Chairman pointed out that whilst Members had accepted the need for occasional use of sub-contracting, there were concerns about the supervision of performance. Mr. Booty said that the CPRS addressed this and that the procurement software gave notification of the use of sub-contractors.

Members were advised that twice yearly update reports on the implementation of CPRs had been scheduled in the Committee's Forward Work Programme.

Prior to the item, Councillor Glyn Banks left the room as he had declared a personal and prejudicial interest, and he returned following the vote.

RESOLVED:

That the Committee endorses the early progress in implementing the new CPRs and receives further reports in accordance with its work programme.

43. ACTION TRACKING

The Internal Audit Manager presented the progress update report on actions arising from previous meetings of the Committee. Whilst the vast majority had been implemented, the remainder were in progress.

RESOLVED:

That the report be accepted.

44. FORWARD WORK PROGRAMME

In presenting the current Forward Work Programme for consideration, the Interim Internal Audit Manager explained the deferment of the annual report on external inspections to the meeting in June 2017.

The Corporate Finance Manager advised that the report on the completion of grant claims was scheduled for June 2017 if it was not available by the March 2017 meeting.

RESOLVED:

(a) That the Forward Work Programme be accepted; and

- (b) That the Interim Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

45. ARRANGEMENTS FOR THE POST OF INTERNAL AUDIT MANAGER - VERBAL UPDATE

The Chief Officer (Governance) reported on the recruitment process as opportunities for a shared post with neighbouring councils had not materialised. Given the nature of the post, the advertisement would be open to both internal and external candidates. Due to the forthcoming election and subsequent changes to the Committee membership, the recruitment process would be delayed until that stage to allow for Member involvement.

The Chief Officer said it was a shame that the co-opted member did not wish to seek a further term and that a report would need to be submitted to full Council on recruitment to this post.

The Chief Officer took the opportunity to thank the Interim Internal Audit Manager for her work and the improvements made to the service. Councillor Ian Dunbar also expressed gratitude for her help and support.

RESOLVED:

That the verbal update be accepted.

46. 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 13 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

47. GREENFIELD VALLEY HERITAGE PARK

The Interim Internal Audit Manager introduced the findings of the 'red' assurance audit report on the Greenfield Valley Heritage Park.

The Chief Officers for Organisational Change and Planning & Environment were in attendance to give further explanation on their respective areas in addressing the audit recommendations where some progress had already been made. In acknowledging the importance of the site, the officers responded to questions from the Committee and advised that the recommendations were due to be implemented by the end of September 2017.

Following discussion, the Chief Executive agreed to provide the Committee with an informal update on outcomes at a later stage.

RESOLVED:

That the report be accepted.

48. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

(The meeting started at 10.00 am and ended at 12.35 pm)

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Chairman



AUDIT COMMITTEE

| | |
|------------------------|-------------------------------------|
| Date of Meeting | Wednesday, 15 March 2017 |
| Report Subject | School Reserves as at March 2016 |
| Cabinet Member | Cabinet Member for Education |
| Report Author | Chief Officer (Education and Youth) |
| Type of Report | Operational |

EXECUTIVE SUMMARY

This report provides an analysis of the financial reserves held by schools in Flintshire as at the 31 March 2016.

The level of reserves held by Flintshire schools at the end of March 2016 was £2.424m. This was an increase of £66k (2.8%) in overall balances compared with the reserves held at the end of March 2015. The level of reserves as a percentage of the delegated budget was 2.61% compared with 2.75% the previous year.

Whilst primary school positive balances have generally been maintained, secondary schools are increasingly struggling to balance their budgets. This is a pattern reported across Wales by members of the national education finance forum and corresponds broadly to the impact of demographic change alongside tighter public service budgets.

The average level of reserves held per pupil by schools in Flintshire was £103 per pupil. The Wales average across local authorities was £142 per pupil with the lowest at £49 per pupil and the highest £280 per pupil.

RECOMMENDATIONS

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| 1 | Members are requested to note the school reserves as at the 31 March 2016. |
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REPORT DETAILS

| 1.00 | EXPLAINING THE SCHOOL RESERVES REPORT | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------|---|-----------------|----------------|--|--|----------------|----------------|------------|----------|----------|-----------|----------|----------|-----------|----------|----------|-----------|----------|----------|------------|----------|----------|-------|----------|----------|--|--|--|
| 1.01 | The analysis of reserves for each school in Flintshire as at the end of March 2016 is shown at appendix 1. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.02 | Overall secondary school balances have moved from a deficit of £115k in March 2015 to a deficit position of £455k in March 2016, a movement of £340k. The range of balances is a surplus of £99k (John Summers High School and Mold Alun) to a deficit of £320k (Holywell High School). Five secondary schools have deficit balances. It is of concern that of the 12 secondary schools in Flintshire, 8 are forecasting to be in a deficit position by the end of the current financial year. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.03 | <p>Primary school balances have increased by £467k (21%) to £2.682m. The range of balances is between a surplus of £113k to a deficit of £26k. There were 8 primary schools with deficits totalling £103k compared to March 2015 when there were 7 schools with deficits totalling £90k. There were 25 primary schools with balances greater than the £50k limit referenced in the School Funding Wales Regulations 2010 compared with 20 the previous year. The spread of primary school balances greater than the £50k limit is shown in the table below.</p> <table border="1" data-bbox="320 1016 1385 1361"> <thead> <tr> <th data-bbox="320 1016 676 1055">Balances</th> <th colspan="2" data-bbox="676 1016 1385 1055">Numbers</th> </tr> <tr> <td data-bbox="320 1055 676 1093"></td> <th data-bbox="676 1055 1031 1093">2014/15</th> <th data-bbox="1031 1055 1385 1093">2015/16</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1093 676 1131">£50 - £59k</td> <td data-bbox="676 1093 1031 1131">7</td> <td data-bbox="1031 1093 1385 1131">8</td> </tr> <tr> <td data-bbox="320 1131 676 1169">£60- £69k</td> <td data-bbox="676 1131 1031 1169">7</td> <td data-bbox="1031 1131 1385 1169">3</td> </tr> <tr> <td data-bbox="320 1169 676 1207">£70- £79k</td> <td data-bbox="676 1169 1031 1207">2</td> <td data-bbox="1031 1169 1385 1207">6</td> </tr> <tr> <td data-bbox="320 1207 676 1245">£80- £89k</td> <td data-bbox="676 1207 1031 1245">1</td> <td data-bbox="1031 1207 1385 1245">5</td> </tr> <tr> <td data-bbox="320 1245 676 1283">£90- £100k</td> <td data-bbox="676 1245 1031 1283">1</td> <td data-bbox="1031 1245 1385 1283">1</td> </tr> <tr> <td data-bbox="320 1283 676 1321">100k+</td> <td data-bbox="676 1283 1031 1321">2</td> <td data-bbox="1031 1283 1385 1321">2</td> </tr> <tr> <td data-bbox="320 1321 676 1361"></td> <td data-bbox="676 1321 1031 1361"></td> <td data-bbox="1031 1321 1385 1361"></td> </tr> </tbody> </table> | Balances | Numbers | | | 2014/15 | 2015/16 | £50 - £59k | 7 | 8 | £60- £69k | 7 | 3 | £70- £79k | 2 | 6 | £80- £89k | 1 | 5 | £90- £100k | 1 | 1 | 100k+ | 2 | 2 | | | |
| Balances | Numbers | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2014/15 | 2015/16 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| £50 - £59k | 7 | 8 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| £60- £69k | 7 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| £70- £79k | 2 | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| £80- £89k | 1 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| £90- £100k | 1 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 100k+ | 2 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.04 | Specialist school balances have decreased by £62k. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.05 | <p>Surplus Balances</p> <p>For balances held at 31 March 2015 governing bodies must provide a statement on how they intend to use any surplus over the £50k for primary schools and over £100k for secondary schools and specialist schools. The Authority also requires a statement from schools as to the use that the governing body proposes to make of a surplus in the school balance which exceeds 5% of the school budget share or £10,000, whichever is the greater.</p> <p>The Schools Accounting Team request and scrutinise this information paying particular attention to those schools with balances over £50k/£100k.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.06 | <p>The Scheme for Financing Schools has been reviewed recently and the treatment of surplus balances arising in 2016/17 will be as follows:</p> <p style="text-align: center;">The Authority will automatically claw back year end balances which exceed 5% of the delegated school budget. Schools may request to</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>carry forward a balance greater than 5% which will be considered and approved by the Chief Education Officer and must be received with the following year's budget plan by the 30 June. School will receive a decision on retention of surplus balances by 14 July.</p> <p>In addition:</p> <p>(a) the Authority may direct the governing body as to how to spend a surplus in the school balance for a funding period, if–</p> <p>(i) in the case of a primary school the surplus is £50,000 or more, and</p> <p>(ii) in the case of a secondary school or a special school the surplus is £100,000 or more;</p> <p>Schools with balances above the limits in (a) above will be required to invite the Education and Youth Finance Manager to a meeting of the governing body to discuss their balances.</p> |
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| 1.07 | <p>Deficit Balances</p> <p>Governors have no legal right to set a deficit budget without the consent of the Local Authority and should not presume that such consent will be granted.</p> <p>However, the Local Authority will consider approving a licensed deficit to a school where it agrees that there are circumstances in which it would be unreasonable for that school to balance its budgets in the current financial year.</p> <p>Outside this provision, schools should ensure that total planned expenditure for the financial year should not exceed the budget share, adjusted by amounts carried forward from the previous financial year. The Local Authority has no power to write off the deficit balance of any school. Deficit balances are carried forward every year by the deduction of the relevant amounts from the following year's budget share.</p> <p>The Local Authority has developed a template for schools to complete if they are anticipating that they will go into a licensed deficit position. This is attached at Appendix 2.</p> |
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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | The impact of continuing austerity measures on the operational and financial resilience of some schools is an area of concern. |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | A school balances report was taken to the September meeting of the Flintshire Schools Budget Forum and to the October Education and Youth Scrutiny Committee. There has been consultation with Heads Federations. The change to the Scheme for Financing schools was subject to a formal |

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| | consultation period with schools. |
|--|-----------------------------------|

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| 4.00 | RISK MANAGEMENT |
| 4.01 | As funding levels to schools decrease in real terms as a consequence of the austerity measures facing local government there is a risk that more schools will slip into a deficit position. The Schools Accounting Team have developed a risk rating process to identify schools where the financial position is a cause for concern. |
| 4.02 | Schools forecasting a significant deficit position will be required to apply for a licensed deficit. The application will be reviewed by the Finance Manager and approval granted by the Chief Officer and Corporate Finance Manager. |
| 4.03 | Additional support is being provided to schools with significant financial pressures over and above the level of the Service Level Agreement in order to support restructuring of the workforce and other efficiencies. |
| 4.04 | If requested by the Chief Education Officer schools are required to explain their financial position as part of the Schools Standard Monitoring process. |

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| 5.00 | APPENDICES |
| 5.01 | Appendix 1 - Summary of School Reserves as at September 2016 |
| 5.02 | Appendix 2 - Licensed Deficit Application Template |

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|-------------|---|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>http://gov.wales/docs/statistics/2016/161020-reserves-held-schools-31-march-2016-en.pdf</p> <p>Contact Officer: Lucy Morris, Finance Manager Telephone: 01352 704016 E-mail: Lucy.morris@Flintshire.gov.uk</p> |

| | |
|-------------|---|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>School Reserves</p> <p>Reserves are sums of money that schools carry forward from one year to the next. They arise from underspends (surplus) and overspends (deficit) against school allocations over time. Schools are responsible for managing their own finances. The level of reserves held by an individual school will depend on a number of factors. These will include the timing of receipt of income and of payments, and the level of contingency fund the school</p> |

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| | governing body expenditure. |
| 7.02 | <p>Schools Budget Forum</p> <p>The Flintshire Schools Budget forum is established in accordance with Section 47A of the School Standards and Framework Act 1998 as amended and the Schools Forums (Wales) Regulations 2003. The Local Authority is required to consult with the Forum on all financial matters which may affect schools. The Forum comprises 32 members drawn from Governors, Headteachers, Elected Members, Union Officials, Diocesan and Senior Officers. The Forum meets at least 3 times per year.</p> |
| 7.03 | <p>Scheme for Financing Schools</p> <p>In accordance with the School Funding (Wales) Regulations 2010 the Authority is required to have a 'Scheme' which sets out the financial relationship between the Authority and Schools.</p> |

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School Balances at at March 2016

| Code | School | School Budget 2015/16 | 2015/16 Final Balance | % (Under) / Overspent against delegated budget |
|--------|---------------------|-----------------------|-----------------------|--|
| EPD123 | BRYNFORD CP | 283,638 | 38,232 | 13.1% |
| EPD125 | BUCKLEY WESTWOOD CP | 707,098 | (1,566) | -0.2% |
| EPD127 | BUCKLEY SOUTHDOWN | 1,161,178 | 72,809 | 6.3% |
| EPD129 | BUCKLEY MOUNTAIN LN | 1,270,016 | (20,115) | -1.6% |
| EPD134 | CAERWYS VP | 271,147 | 23,914 | 8.5% |
| EPD135 | CARMEL CP | 583,886 | 25,062 | 4.3% |
| EPD145 | YSGOL Y FOEL | 292,114 | 32,656 | 10.9% |
| EPD151 | YSGOL PARC Y LLAN | 374,961 | 53,592 | 13.9% |
| EPD156 | BRYN DEVA | 860,675 | 19,682 | 2.3% |
| EPD159 | GOLFTYN CP | 1,292,900 | 66,696 | 5.1% |
| EPD161 | WEPRE CP | 1,068,867 | 111,496 | 10.4% |
| EPD162 | CAE'R NANT | 1,130,099 | 51,252 | 4.5% |
| EPD175 | DRURY CP | 426,474 | (21,858) | -5.1% |
| EPD181 | EWLOE GREEN | 1,205,401 | 91,976 | 7.5% |
| EPD185 | BRYN GARTH CP | 366,402 | 33,942 | 8.9% |
| EPD186 | FLINT CORNIST DRIVE | 945,119 | 85,282 | 8.8% |
| EPD187 | YSGOL CROES ATTI | 707,354 | (20,642) | -2.9% |
| EPD188 | FLINT GWYNEDD JR | 1,317,678 | 39,845 | 3.0% |
| EPD189 | FLINT ST MARYS RC | 978,944 | 70,786 | 7.1% |
| EPD191 | MAES EDWIN CP | 298,845 | 60,664 | 19.7% |
| EPD201 | GREENFIELD CP | 877,663 | 30,056 | 3.4% |
| EPD202 | GRONANT CP | 262,708 | 3,576 | 1.3% |
| EPD203 | GWERNAFFIELD CP | 393,933 | 78,549 | 19.5% |
| EPD204 | GWERNYMYNYDD CP | 251,138 | 30,993 | 12.3% |
| EPD209 | GWESPYR PICTON | 266,176 | 32,983 | 12.0% |
| EPD215 | HAWARDEN VILLAGE | 1,257,274 | 19,582 | 1.6% |
| EPD218 | HAWARDEN PENARLAG | 649,941 | 27,335 | 4.2% |
| EPD221 | HR KINNERTON DERWEN | 629,624 | 45,525 | 7.2% |
| EPD223 | YSGOL Y FRON JR | 621,444 | 75,303 | 11.9% |
| EPD224 | PERTH Y TERFYN INF | 431,414 | 28,123 | 6.5% |
| EPD225 | ST WINEFRIDES RC | 507,221 | (26,421) | -5.1% |
| EPD226 | YSGOL GWENFFRWD | 725,044 | 42,634 | 5.9% |
| EPD227 | YSGOL ESTYN HOPE | 741,620 | 89,762 | 11.9% |
| EPD245 | LEESWOOD CP | 490,582 | 25,364 | 5.0% |
| EPD246 | LIXWM CP | 275,867 | 38,547 | 13.6% |
| EPD263 | LLANFYNYDD CP | 258,505 | 43,892 | 16.4% |
| EPD287 | MOLD YSG GLANRAFON | 1,072,747 | 39,446 | 3.6% |
| EPD288 | MOLD BRYN COCH | 2,068,934 | 41,714 | 2.0% |
| EPD289 | MOLD YSG BRYN GWALI | 814,555 | 89,114 | 10.7% |
| EPD291 | MOLD ST DAVIDS RC | 375,607 | 28,329 | 7.4% |
| EPD292 | MOSTYN BRYN PENNANT | 477,068 | 61,869 | 12.6% |
| EPD301 | NANNERCH VP | 262,662 | (5,969) | -2.3% |
| EPD302 | NERCWYS VP | 243,157 | 37,684 | 14.6% |
| EPD305 | NORTHOP OWEN JONES | 390,328 | 13,200 | 3.3% |
| EPD306 | NORTHOP HALL CP | 576,815 | 56,476 | 9.6% |
| EPD327 | YSGOL PENYFFORDD | 782,727 | 50,670 | 6.4% |
| EPD331 | PENTROBIN VP | 344,078 | (2,588) | -0.7% |
| EPD344 | QUEENSFERRY CP | 691,057 | 82,961 | 11.8% |
| EPD355 | RHOS HELYG CP | 500,969 | 30,489 | 5.9% |
| EPD381 | SALTNEY ST ANTHONYS | 558,653 | 70,761 | 12.4% |
| EPD382 | SALTNEY FERRY CP | 475,861 | 40,780 | 8.4% |

School Balances at at March 2016

| | | | | |
|--------|---------------------|-------------------|------------------|--------------|
| EPD383 | SALTNEY WOOD MEM | 610,130 | 7,713 | 1.2% |
| EPD384 | SANDYCROFT CP | 1,008,349 | 45,315 | 4.4% |
| EPD385 | SEALAND CP | 662,269 | 34,546 | 5.1% |
| EPD386 | ST ETHELWOLDS VP | 382,879 | 14,660 | 3.7% |
| EPD389 | VEN EDWARD MORGAN | 864,881 | 41,833 | 4.8% |
| EPD391 | TY FYNNON | 1,043,318 | 82,521 | 7.8% |
| EPD394 | SYCHDYN CP | 478,601 | 23,810 | 4.8% |
| EPD406 | TRELAWNYD VP | 358,642 | 56,206 | 15.7% |
| EPD407 | TRELOGAN CP | 266,019 | 19,671 | 7.2% |
| EPD409 | YSG TERRIG TREUDDYN | 266,393 | 19,011 | 7.1% |
| EPD421 | WHITFORD VP | 373,312 | 12,833 | 3.4% |
| EPD422 | ABERMORDDU | 675,597 | 51,949 | 7.5% |
| EPD423 | BAGILLT GLAN ABER | 451,996 | 58,579 | 12.7% |
| EPD424 | BAGILLT MERLLYN | 568,355 | (4,279) | -0.7% |
| EPD425 | BROUGHTON CP | 1,372,789 | 70,476 | 5.0% |
| EPD426 | YSGOL MYNYDD ISA | 1,842,803 | 112,887 | 6.1% |
| | TOTAL | 45,044,501 | 2,682,174 | 5.95% |

Secondary

| Code | School | School Budget 2015/16 | 2015/16 Final Balance | % (Under) / Overspent against delegated budget |
|--------|-------------------|-----------------------|-----------------------|--|
| ESD503 | BUCKLEY ELFED HS | 2,465,855 | (43,879) | -1.8% |
| ESD509 | CONNAHS QUAY HIGH | 3,662,570 | (84,622) | -2.3% |
| ESD511 | JOHN SUMMERS HIGH | 1,855,394 | 99,861 | 5.4% |
| ESD515 | FLINT HIGH | 3,104,177 | 48,484 | 1.6% |
| ESD517 | RICHARD GWYN | 3,536,338 | (180,194) | -5.1% |
| ESD521 | HAWARDEN HIGH | 4,653,841 | 75,834 | 1.6% |
| ESD523 | HOLYWELL HIGH | 2,002,590 | (320,311) | -16.0% |
| ESD525 | CASTELL ALUN HIGH | 5,170,467 | 71,813 | 1.4% |
| ESD529 | MOLD ALUN HIGH | 6,619,184 | 99,351 | 1.5% |
| ESD531 | YSGOL MAES GARMON | 2,043,664 | (293,363) | -14.4% |
| ESD533 | ARGOED HIGH | 2,629,382 | 46,981 | 1.8% |
| ESD551 | ST DAVIDS HIGH | 2,308,753 | 24,822 | 1.1% |
| | TOTAL | 40,052,213 | (455,225) | -1.1% |

Special

| Code | School | School Budget 2015/16 | 2015/16 Final Balance | % (Under) / Overspent against delegated budget |
|--------|-------------------|-----------------------|-----------------------|--|
| ETD601 | YSGOL PEN COCH | 1,651,085 | 30,403 | 1.8% |
| ETD602 | YSGOL MAES HYFRYD | 2,100,981 | 166,387 | 7.9% |
| | TOTAL | 3,752,066 | 196,790 | 5.2% |

| | | | |
|--------------------|-------------------|------------------|-------------|
| GRAND TOTAL | 88,848,780 | 2,423,738 | 2.6% |
|--------------------|-------------------|------------------|-------------|

Flintshire County Council Licensed Deficit Application and Recovery Plan

School Name

What level of deficit are you applying for:-

| <u>2016/2017</u> | <u>2017/2018</u> | <u>2018/2019</u> | <u>2019/2020</u> | <u>2020/2021</u> |
|------------------|------------------|------------------|------------------|------------------|
| <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> |
| £0,000 | £0,000 | £0,000 | £0,000 | £0,000 |

There is an expectation that schools will recover deficit budgets within 3 years and in exceptional circumstances 5 years. Please document the reasons in the box below if the deficit application exceeds 3 years. Please note that where a school applies for a deficit recovery plan in excess of 3 years further authorisation is required from the Chief Education Officer and Chief Finance Officer.

Reason for Deficit

Please include in this section the reasons for the deficit budget and the circumstances leading up to the current position

Recovery Plan

Please include in this section a detailed narration of the recovery plan including the action to be taken and detailed timescales which link in with your agreed projections as approved by your governing body. (Please attach a copy of the minutes from your finance sub-committee as evidence of approval)

| <i>Action</i> | <i>Target Date</i> | <i>Value of Saving £</i> |
|----------------------|---------------------------|---------------------------------|
| | | |
| | | |
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| | | |
| | | |
| | | |
| | | |
| | | |

Additional Information to support your request for an agreed deficit.

Please attach your detailed budget plan using the deficit recovery plan excel spreadsheet.

School

Signed _____ Headteacher Date _____

Signed _____ Chair of the Governing Body Date _____

Signed _____ Chair of the Finance Committee Date _____

Authority

Signed _____ Chief Education Officer Date _____

Signed _____ Finance Manager (Education) Date _____

Signed _____ Chief Finance Officer Date _____

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AUDIT COMMITTEE

| | |
|------------------------|--|
| Date of Meeting | Wednesday, 15 March 2017 |
| Report Subject | Public Sector Internal Audit Standards |
| Cabinet Member | Not Applicable |
| Report Author | Interim Internal Audit Manager |
| Type of Report | Assurance |

EXECUTIVE SUMMARY

Internal Audit must conform to the Public Sector Internal Audit Standards (PSIAS). There must be an assessment every year which must be reported to the Audit Committee. These assessments are normally carried out internally as self-assessments, but there must be an external assessment every five years.

Internal assessment have been carried out every year since the standards were introduced. This report shows the results of the current internal self-assessment, the progress against actions arising from last year's assessment, and further actions being undertaken on an ongoing basis to maintain compliance with the components of the standards. Appendices A to C.

The requirement for external assessments can be met by an external assessor validating an internal assessment. They can be carried out as peer reviews, providing that the reviews are not reciprocal and the reviewer is sufficiently independent. In order to minimise costs, within the Wales Chief Auditors Group the Chief Auditors for 18 Councils in Wales have agreed to follow this route, each one reviewing the other Council. The Chief Internal Auditor from Ceredigion will review Flintshire Internal Audit on 27th March 2017.

RECOMMENDATIONS

| | |
|---|--|
| 1 | The committee is requested to note the report. |
|---|--|

REPORT DETAILS

| 1.00 | EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT |
|-------------|---|
| 1.01 | In December 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) published new Public Sector Internal Audit Standards (PSIAS) for internal audit across the public sector. The Standards apply to Central Government departments including Scotland, Wales and Northern Ireland, Local Authorities across the UK, the NHS, Police and Fire Authorities and National Parks. These Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government published in 2006. The standards are based on the CIIA standards and came into force on 1 st April 2013 and updated in 2016. |
| 1.02 | Internal Audit departments must report their level of conformance with the PSIAS to the Audit Committee. It should then be reported in the Internal Audit Annual Report and stated in every audit report. |
| 1.03 | PSIAS includes the Definition of Internal Audit, a Code of Ethics, four Attribute Standards and seven Performance Standards, leading to the overall level of conformance. Internal Audit departments should achieve General Conformance (definition given in Appendix A) overall with the PSIAS. |
| 1.04 | There is a requirement within the PSIAS for a Quality Assurance and Improvement Programme (QAIP). The requirement is for the Internal Audit Manager to develop and maintain a QAIP to enable the audit activity to be assessed against the PSIAS. External assessments should be carried out at least once every five years, with annual internal assessment. Flintshire's external assessment will be undertaken in March 2017. |
| 1.05 | Internal assessments must include: <ul style="list-style-type: none">• Ongoing monitoring of the performance of the internal audit activity; and• Periodic self-assessment, or assessment by other persons within the organisation with sufficient knowledge of internal audit practices. |
| 1.06 | Results of the assessments and progress against the identified actions must be reported to the Audit Committee. |

| 2.00 | RESOURCE IMPLICATIONS |
|-------------|--|
| 2.01 | Minimal costs of the external assessment in 2016/17. |

| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
|-------------|---|
| 3.01 | None. |

| | |
|-------------|--|
| 4.00 | RISK MANAGEMENT |
| 4.01 | Internal Audit is part of the governance framework for the Council. It is important that it meets the required operational standards to give assurance to the Council that it is functioning properly. This paper shows the results of the assessment of the department against those standards. |

| | |
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| 5.00 | APPENDICES |
| 5.01 | Appendix A – Checklist for compliance with PSIAS Appendix B – QAIP Action Plan Appendix C – QAIP Components |

| | |
|-------------|--|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | None. Contact Officer: Lisa Brownbill, Interim Internal Audit Manager Telephone: 01352 702231 E-mail: Lisa.brownbill@flintshire.gov.uk |

| | |
|-------------|--------------------------|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | None. |

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CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND THE LOCAL GOVERNMENT APPLICATION NOTE (LGAN)

| Glossary | |
|------------|---|
| GC | Generally Conforms with PSIAS - The relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section / category. General conformance does not require complete / perfect conformance, the ideal situation, successful practice, etc. |
| PC | Partially Conforms with PSIAS - The activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and / or achieving their objectives. |
| DNC | Does Not Conform with PSIAS - The activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many / all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. |
| N/A | Not Applicable - The sections marked N/A do not apply to this assessment, i.e. there has not yet been an external assessment, the use of 'conforms with International Standards' or disclosure of non-conformance can only be used after this assessment, there are no external providers of audit services. |
| CAE | Chief Audit Executive - A generic title used to describe the person responsible for managing the internal audit activity. In Flintshire, it is the Internal Audit Manager |

| | SUMMARY OF RESULTS | GC | PC | DNC |
|------------|---|----|----|-----|
| | Definition of Internal Auditing | ✓ | | |
| | Code of Ethics | ✓ | | |
| | Attribute Standards | ✓ | | |
| Ref | | | | |
| 1000 | Purpose, Authority and Responsibility | ✓ | | |
| 1010 | Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter | ✓ | | |
| 1100 | Independence and Objectivity (The sum of <i>Standards</i> 1100-1130) | ✓ | | |
| 1110 | Organisational Independence | ✓ | | |
| 1111 | Direct Interaction with the Board | ✓ | | |
| 1120 | Individual Objectivity | ✓ | | |
| 1130 | Impairments to Independence or Objectivity | ✓ | | |
| 1200 | Proficiency and Due Professional Care (The sum of <i>Standards</i> 1210-1230) | ✓ | | |
| 1210 | Proficiency | ✓ | | |
| 1220 | Due Professional Care | ✓ | | |
| 1230 | Continuing Professional Development | ✓ | | |
| 1300 | Quality Assurance and Improvement Programme (The sum of <i>Standards</i> 1310-1320) | ✓ | | |
| 1310 | Requirements of the Quality Assurance and Improvement Programme | ✓ | | |
| 1311 | Internal Assessments | ✓ | | |
| 1312 | External Assessments | ✓ | | |
| 1320 | Reporting on the Quality Assurance and Improvement Programme | ✓ | | |
| 1321 | Use of Conforms with the International Standards for the Professional Practice of Internal Auditing | ✓ | | |

| | SUMMARY OF RESULTS | GC | PC | DNC |
|------|--|-----------|-----------|------------|
| 1322 | Disclosure of Non-conformance | ✓ | | |
| 2000 | Managing the Internal Audit Activity (Sum total of <i>Standards</i> 2010 – 2060) | ✓ | | |
| 2010 | Planning | ✓ | | |
| 2020 | Communication and Approval | ✓ | | |
| 2030 | Resource Management | ✓ | | |
| 2040 | Policies and Procedures | ✓ | | |
| 2050 | Coordination | ✓ | | |
| 2060 | Reporting to Senior Management and the Board | ✓ | | |
| 2070 | External service Provider and Organisational Responsibility for Internal Audit | N/A | N/A | N/A |
| 2100 | Nature of Work (Sum of <i>Standards</i> 2110 – 2130) | ✓ | | |
| 2110 | Governance | ✓ | | |
| 2120 | Risk Management | ✓ | | |
| 2130 | Control | ✓ | | |
| 2200 | Engagement Planning (Sum of <i>Standards</i> 2201-2240) | ✓ | | |
| 2201 | Planning Considerations | ✓ | | |
| 2210 | Engagement Objectives | ✓ | | |
| 2220 | Engagement Scope | ✓ | | |
| 2230 | Engagement Resource Allocation | ✓ | | |
| 2240 | Engagement Work Programme | ✓ | | |
| 2300 | Performing the Engagement (The sum of <i>Standards</i> 2300-2340) | ✓ | | |
| 2310 | Identifying Information | ✓ | | |
| 2320 | Analysis and Evaluation | ✓ | | |

| | SUMMARY OF RESULTS | GC | PC | DNC |
|------|--|-----------|-----------|------------|
| 2240 | Engagement Work Programme | ✓ | | |
| 2300 | Performing the Engagement (The sum of <i>Standards</i> 2300-2340) | ✓ | | |
| 2310 | Identifying Information | ✓ | | |
| 2320 | Analysis and Evaluation | ✓ | | |
| 2330 | Documenting Information | ✓ | | |
| 2340 | Engagement Supervision | ✓ | | |
| 2400 | Communicating Results (Sum of <i>Standards</i> 2410-2440) | ✓ | | |
| 2410 | Criteria for Communicating | ✓ | | |
| 2420 | Quality of Communications | ✓ | | |
| 2421 | Errors and Omissions | ✓ | | |
| 2430 | Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'. | ✓ | | |
| 2431 | Engagement Disclosure of Non-conformance | N/A | N/A | N/A |
| 2440 | Disseminating Results | ✓ | | |
| 2450 | Overall Opinions | ✓ | | |
| 2500 | Monitoring Progress | ✓ | | |
| 2600 | Resolution of Senior Management s Acceptance of Risks | ✓ | | |
| | OVERALL CONCLUSION – CONFORMANCE WITH PSIAS | ✓ | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|----------|--|------------------|----|-----|--|
| 1 | Definition of Internal Auditing | | | | |
| | Using evidence gained from assessing conformance with other Standards, is the internal audit activity: a) Independent? b) Objective? | ✓ ✓ | | | See questions below Charter updated during 2016 to reflect the new PSIAS, including the definition of Internal Audit. |
| | Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation? | ✓ | | | See questions below Prioritisation of work through risk based approach and new action tracking. |
| | Definition of Internal Audit Conclusion | ✓ | | | |
| 2 | Code of Ethics | | | | |
| | Integrity Using evidence gained from assessing conformance with other Standards, do internal auditors: a) Perform their work with honesty, diligence and responsibility? b) Observe the law and make disclosures expected by the law and the profession? c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation? d) Respect and contribute to the legitimate and ethical objectives of the organisation? | ✓ ✓ ✓ ✓ | | | See questions below. As professional officers, each internal auditor is expected to perform their duties in accordance with the CIA's code of ethics, as well as Flintshire County Council code of conduct. |
| | Objectivity Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not: a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? | ✓ | | | See questions below Completion of annual declaration of interest (Independence Certificate) (last updated February 2017) compliance with Flintshire |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|---|-------------|----|-----|--|
| | b) Accepting anything that may impair or be presumed to impair their professional judgement? c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review? | ✓ ✓ | | | County Council's Code of Conduct. |
| | Confidentiality Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Acting prudently when using information acquired in the course of their duties and protecting that information? b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation? | ✓ ✓ | | | See questions below. All work is undertaken in a confidential manner. All documentation is held securely with retention policies in place. All sensitive data is exported using GCSX email accounts. Laptops all encrypted. The IA door has a secure key pad. As professional officers, each internal auditor is expected to perform their duties in accordance with the CIIA's code of ethics |
| | Competency Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by: a) Only carrying out services for which they have the necessary knowledge, skills and experience? b) Performing services in accordance with the PSIAS? c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes? | ✓ ✓ ✓ | | | See questions below. Regular training in services to be audited. Expertise developed over time in complex areas and assigned to those areas. Training plans based on appraisals, now competency based. Development Plan compiled from latest appraisals. |
| | Do internal auditors have regard to the Standards of Public Life's Seven Principles of Public Life? | ✓ | | | See questions below |
| | | | | | |
| | Code of Ethics Conclusion | ✓ | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|--|-------------|----|-----|--|
| | Standards | | | | |
| 3 | Attribute Standards | | | | |
| 3.1 | 1000 Purpose, Authority and Responsibility | | | | |
| | Does the internal audit charter include a formal definition of: a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)? | ✓ ✓ ✓ | | | The Internal Audit Charter includes the responsibilities, independence, role and rights of access. It is part of the Constitution. These are also included in the Council's Financial Regulations. |
| LGAN | Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances. | | ✓ | | Sets out each of the functions of the board and where it lies. |
| LGAN | Does the internal audit charter also: a) Set out the internal audit activity's position within the organisation? b) Establish the CAE's functional reporting relationship with the board? c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? | ✓ ✓ ✓ | | | a/b) The Charter includes sections on the Role and Scope of IA, Independence and Authority, Audit Responsibility, Resources, Training, Reporting and Performance Reporting. |
| LGAN | d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit? | ✓ | | | It includes the reporting relationships of the Audit Manager to statutory officers and the Audit Committee. |
| | e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities? | ✓ | | | Unrestricted access to all activities, functions, records and property. |
| LGAN | f) Define the scope of internal audit activities? | ✓ | | | The right to require information from officers. |
| LGAN | g) Recognise that internal audit's remit extends to the entire control environment of the organisation? | ✓ | | | |
| LGAN | h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) | ✓ | | | The contribution is in place through all audit work and the Audit Manager's being a member |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|---|---|----|----|-----|---|
| LGAN | Regulations 2011? | | | | of the Corporate Governance Working Group. |
| | i) Establish the organisational independence of internal audit? | ✓ | | | Responsible for investigating potential fraud and irregularity. |
| | j) Cover the arrangements for appropriate resourcing? | ✓ | | | |
| | k) Define the role of internal audit in any fraud-related work? | ✓ | | | |
| | l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety? | ✓ | | | |
| | m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities? | ✓ | | | PSIAS recognised within the scope. |
| | n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation? | ✓ | | | |
| | o) Define the nature of consulting services? | ✓ | | | |
| p) Recognise the mandatory nature of the PSIAS? | ✓ | | | | |
| | Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval? | ✓ | | | Last updated in 2016 and approved by Audit Committee and Council (as part of the Constitution) in September 2016. |
| | Does the CAE attend audit committee meetings? | ✓ | | | Attendance at all meetings. |
| | Does the CAE contribute to audit committee agendas? | ✓ | | | Produces the Forward Work Programme and Actions Carried Forward. Both of which form the basis of the agenda. |
| | 1000 Conclusion | ✓ | | | |
| 3.2 | 1100 Independence and Objectivity | | | | |
| | Does the CAE have direct and unrestricted access to senior management and the board? | ✓ | | | <p>The manager reports functionally to the Audit Committee and Administratively to the Chief Officer Governance. Bi monthly meeting are held with the Chief Executive and quarterly with Chief Officers.</p> <p>She can contact the s151 Officer, any Chief Officer or the Chief Officer Team as a whole at</p> |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|------------------|----|-----|--|
| | | | | | any time, and also can contact the Audit Committee at any time. |
| | Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee? | ✓ | | | Manager can contact Chief Executive and Chair of Audit at any time. |
| | Are threats to objectivity identified and managed at the following levels: a) Individual auditor? b) Engagement? c) Functional? d) Organisation? | ✓ ✓ ✓ ✓ | | | Auditors identify any conflict and report them to audit management. All other levels included in the Charter and Constitution. |
| | 1100 Conclusion | ✓ | | | |
| | <i>1110 organisational Independence</i> | | | | |
| | Does the CAE report to an organisational level equal or higher than the corporate management team? | ✓ | | | See above – manager reports to the Chief Officer Governance. |
| LGAN | Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities? | ✓ | | | See above - manager reports to the Chief Officer Governance. |
| LGAN | Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority. | ✓ | | | See above - manager reports to the Chief Officer Governance and the Audit Committee and can contact the Chief Executive at any time. |
| LGAN | Does the CAE's position in the management structure: a) Reflect the influence he or she has on the control environment? b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management? | ✓ ✓ ✓ | | | Manager is a member of the Governance Management Team. Audit plans are agreed with COT and Audit Committee. Audit Reports, including action plans, are issued to the relevant Chief Officer. |
| | Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the | | | | In the Annual Report. Also in annual meeting |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|--|------------------------------------|----|-----|--|
| | organisational independence of the internal audit activity: The board: a) approves the internal audit charter b) approves the risk-based audit plan c) approves the internal audit budget and resource plan d) receives communications from the CAE on the activity's performance (in relation to the plan, for example) e) approves decisions relating to the appointment and removal of the CAE f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. | ✓ ✓ ✓ ✓ ✓ ✓ | | | with the AC. Audit Committee Chief Officer Team and Audit Committee. Chief Officer Governance Audit Committee Chief Officer Governance Audit Committee |
| | Does the chief executive or equivalent undertake, Countersign, contribute feedback to or review the performance appraisal of the CAE? | ✓ | | | Annually by the Chief Officer Governance. Next due March 2017. |
| | Is feedback sought from the chair of the audit committee for the CAE's performance appraisal? | ✓ | | | For the previous IAM, the first appraisal completed by Chief Officer Governance and Chief Executive March 2015. Feedback sought from chair of the Audit Committee. |
| | 1110 Conclusion | ✓ | | | |
| | <i>1111 Direct Interaction with the Board</i> | | | | |
| | Does the CAE communicate and interact directly with the board? | ✓ | | | Reports to each Audit Committee meeting. Private meeting takes place annually. If necessary, Manager can meet with the committee or chair at any time. |
| | 1111 Conclusion | ✓ | | | |
| | <i>1120 Individual Objectivity</i> | | | | |
| | Do internal auditors have an impartial, unbiased attitude? | ✓ | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|-----|-----|-----|---|
| | Do internal auditors avoid any conflict of interest, whether apparent or actual? | ✓ | | | Auditors complete annual declaration (Auditor Independence Certificate) of interests. Auditors report any potential conflict to audit management. Also considered during the allocation of work to auditors. No members of the team have recently worked in other areas of the Authority. |
| | 1120 Conclusion | ✓ | | | |
| | <i>1130 Impairment to Independence or Objectivity</i> | | | | |
| | If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)? | N/A | N/A | N/A | N/A. None has arisen. |
| | Have internal auditors assessed specific operations for which they have been responsible within the previous year? | ✓ | | | No members of the team have recently worked in other areas of the Authority. |
| | If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity? | N/A | N/A | N/A | N/A. Manager does not have any operational responsibility. |
| LGAN | Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team? | ✓ | | | The team is large enough to allow this. |
| LGAN | Have internal auditors declared interests in accordance with organisational requirements? | ✓ | | | Auditors sign declarations of interest forms annually. |
| LGAN | Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully? | N/A | N/A | N/A | N/A. None accepted. If this happened, they would be recorded in the Portfolio register. |
| LGAN | Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain? | ✓ | | | This has not happened. |
| LGAN | Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, | ✓ | | | Auditors sign declaration of interest forms annually and report any conflicts of interest if |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|-----|-----|-----|---|
| | subject to any confidentiality agreements? | | | | they arise. |
| LGAN | Have internal auditors complied with the Bribery Act 2010? | ✓ | | | See above. |
| | If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted? | N/A | N/A | N/A | N/A. None has arisen. |
| | Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted? | N/A | N/A | N/A | N/A. Plan allows time for some consulting work. |
| | 1130 Conclusion | ✓ | | | |
| 3.3 | 1200 Proficiency and Due Professional Care | | | | |
| | <i>1210 Proficiency</i> | | | | |
| | Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? | ✓ | | | CMIIA |
| | Is the CAE suitably experienced? | ✓ | | | Worked within Internal Audit since 1992, Management positions since 2012 with Flintshire County Council. Interim Internal Audit Manager since October 2016. |
| LGAN | Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes? | ✓ | | | Manager fully responsible for recruitment. |
| LGAN | Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes? | ✓ | | | Job descriptions and person specifications redefined as part of Finance Function Review, 2012. |
| | Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities? | ✓ | | | Auditor competencies assessed. Annual competency based appraisals carried out. |
| | Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does | ✓ | | | If necessary can buy in expertise, e.g. IT audit |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|---|-----------------------|----|-----|---|
| | the CAE obtain competent advice and assistance? | | | | |
| | Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation? | ✓ | | | Manager, Principal Auditors and some Senior Auditors keep up to date on fraud requirements and attend training days. |
| | Do internal auditors have sufficient knowledge of key information technology risks and controls? | ✓ | | | Principal Auditors and some Senior Auditors specialise in IT work. A Principal is a qualified IT Auditor. |
| | Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques? | ✓ | | | Members of the team keep up to date on Computer Assisted Audit Techniques. IDEA is used for most regulatory reviews. |
| | 1210 Conclusion | ✓ | | | |
| | <i>1220 Due Professional Care</i> | | | | |
| | Do internal auditors exercise due professional care by considering the: a) Extent of work needed to achieve the engagement’s objectives? b) Relative complexity, materiality or significance of matters to which assurance procedures are applied? c) Adequacy and effectiveness of governance, risk management and control processes? d) Probability of significant errors, fraud, or non-compliance? e) Cost of assurance in relation to potential benefits? | ✓ ✓ ✓ ✓ ✓ | | | a) Overall consideration for the organisation takes place as part of the annual planning cycle. b) Analysis of these factors takes place in the planning stage of every assignment. Now use Pre-Audit Questionnaire and scoping meeting to gain information. c) CAATs used where appropriate. d) A Fraud Work programme is used for each review to determine the extent of fraud awareness. e) All documented in the audit manual. This was updated in 2015 to reflect the implementation of audit software and the move to electronic files. |
| | Do internal auditors exercise due professional care during a consulting engagement by considering the: a) Needs and expectations of clients, including the nature, timing and | ✓ | | | Considered during the planning of any consultancy work by auditors and Principal Auditors. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|----|----|-----|--|
| | communication of engagement results? b) Relative complexity and extent of work needed to achieve the engagement's objectives? c) Cost of the consulting engagement in relation to potential benefits? | ✓ | | | |
| | 1220 Conclusion | ✓ | | | |
| | <i>1230 Continuing Professional Development</i> | | | | |
| LGAN | Has the CAE defined the skills and competencies for each level of auditor? | ✓ | | | Defined in the person specification for each position. |
| LGAN | Does the CAE periodically assess individual auditors against the predetermined skills and competencies? | ✓ | | | Annual competency based appraisal process. |
| | Do internal auditors undertake a programme of continuing professional development? | ✓ | | | Each auditor is responsible for their own CPD to meet the requirements of their professional body. |
| | Do internal auditors maintain a record of their professional development and training activities? | ✓ | | | Training log maintained by the department. |
| | 1230 Conclusion | ✓ | | | |
| 3.4 | 1300 Quality Assurance and Improvement Programme | | | | |
| | Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated? | ✓ | | | QAIP in place based on overall requirements and results of last year's internal assessment. |
| | Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement? | ✓ | | | Assessment last year used as a starting point. |
| | Does the CAE maintain the QAIP? | ✓ | | | QAIP developed. |
| LGAN | If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)? | ✓ | | | Now also a requirement in Wales. This review meets the requirement. |
| | 1300 Conclusion | ✓ | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|--|--------|----|-----|--|
| | <i>1310 Requirements of the Quality Assurance and Improvement Programme</i> | | | | |
| | Does the QAIP include both internal and external assessments? | ✓ | | | Internal assessments completed each year, external assessment to be completed in March 2017. |
| | 1310 Conclusion | ✓ | | | |
| | <i>1311 Internal Assessments</i> | | | | |
| LGAN | Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence? | ✓ | | | Part of the planning process annually and for individual assignments. |
| | Do internal assessments include ongoing monitoring of the internal audit activity such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS? | ✓ ✓ | | | All work is subject to quality review by peers and Principal Auditors. Annual internal assessments |
| LGAN | Does ongoing performance monitoring include comprehensive performance targets? | ✓ | | | There are performance targets for the department and each staff member. |
| LGAN | Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? | ✓ | | | Departmental targets agreed with Audit Committee. Detailed within the Strategic Plan. Individual targets agreed during annual appraisals. Benchmarking of the service is carried out with the Welsh Chief Auditors Group |
| LGAN | Does the CAE measure, monitor and report on progress against these targets? | ✓ | | | Progress against departmental targets reported to Audit Committee quarterly and as part of the appraisal process. |
| LGAN | Does ongoing performance monitoring include obtaining stakeholder feedback? | ✓ | | | Feedback questionnaires issued on completion of every assignment. Results are positive. Client questionnaires now form part of the audit management system |
| | Are the periodic self-assessments or assessments carried out by people | ✓ | | | Self Assessments have been carried out against |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|-----|-----|-----|--|
| | external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc. | | | | these Standards by the Audit Manager and Principal Auditor. |
| LGAN | Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives? | ✓ | | | |
| | 1311 Conclusion | ✓ | | | |
| | <i>1312 External Assessments</i> | | | | |
| | Has an external assessment been carried out, or is planned to be carried out, at least once every five years? | ✓ | | | QA review of files carried out by RSM Tenon during 2012/13. External review against PSIAS will be March 2017. |
| LGAN | Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')? | ✓ | | | Yes. Self-assessment plus independent validation to be completed. Organised via the Wales Chief Auditors Group and to be carried out by the Head of Internal Audit Ceredigion. |
| | Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board? | ✓ | | | Part of this paper to the Audit Committee. |
| LGAN | Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CEO or the chief executive? | N/A | N/A | N/A | N/A. To be completed in planning the review. |
| | Has the CAE agreed the scope of the external assessment with the external assessor or assessment team? | N/A | N/A | N/A | N/A. To be completed in planning the review. |
| | Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity | N/A | N/A | N/A | N/A. Not yet completed. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|--|-----|-----|-----|--|
| | c) sector (i.e. the public sector) d) industry (i.e. local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member. | | | | |
| | How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment? | N/A | N/A | N/A | N/A. Not yet completed. |
| | Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs. | ✓ | | | Peer review to be completed by the Head of Internal Audit for Ceredigion. |
| | 1312 Conclusion | ✓ | | | N/A |
| | <i>1320 Reporting on the Quality Assurance and Improvement Programme</i> | | | | |
| | Has the CAE reported the results of the QAIP to senior management and the board? Note that: a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of ongoing monitoring must be communicated at least annually c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS. | ✓ | | | Annually. This report for 2016/17. Report for 2015/16 presented to Audit Committee in March 2016. Report for 2014/15 presented to Audit Committee in March 2015. Progress against action plan also reported. |
| | Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report? | ✓ | | | Included in the report to this meeting. |
| | 1320 Conclusion | ✓ | | | |
| | <i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i> | | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|------------|--|--------|----|-----|---|
| | Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this? | ✓ | | | Based on the results of the previous assessment. Stated in each audit report (Front cover) |
| | 1321 Conclusion | ✓ | | | |
| | <i>1322 Disclosure of Non-conformance</i> | | | | |
| | Has the CAE reported any instances of non-conformance with the PSIAS to the board? | ✓ | | | This report shows conformance or none. |
| | Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced? | ✓ | | | Considered for the governance statement. |
| | 1322 Conclusion | ✓ | | | |
| 4 | Performance Standards | | | | |
| 4.1 | 2000 Managing the Internal Audit Activity | | | | |
| | Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter? | ✓ | | | Through the audit plan, as reported in the annual report. |
| | Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> | ✓ | | | Through the Charter and the audit manual. |
| | Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ? | ✓ | | | Through the audit manual. All work subject to review. All Auditors complete an Annual Independence Certificate to declare any Interests. |
| | Does the internal audit activity add value to the organisation and its stakeholders by a) Providing objective and relevant assurance? b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes? | ✓ ✓ | | | Audit plan is based on the organisation's objectives. Audit reports contain actions for improve effectiveness and efficiency. Additional advisory work and presence on project groups requested by management. |
| | 2000 Conclusion | ✓ | | | |
| | <i>2010 Planning</i> | | | | |
| | Has the CAE determined the priorities of the internal audit activity in a | ✓ | | | RBIA in place. Strategic and operational plan |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|-------------|-----|-----|---|
| | risk-based plan and are these priorities consistent with the organisation's goals? | | | | based on the organisations objectives and risks, from the Improvement Plan. |
| | Does the risk-based plan take into account the requirement to produce an annual internal audit opinion? | ✓ | | | Strategic and operational plan designed to provide evidence needed for annual opinion. |
| | Does the risk-based plan take into account the organisation's assurance framework? | ✓ | | | Sources of assurance considered during planning and the use of the CAMMS system (Risk & Performance Management System). |
| | Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities? | ✓ ✓ ✓ | | | Part of the Strategic Plan. Stated in the Plan. Part of the Strategic Plan. |
| | Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks? | ✓ | | | Strategic Plan includes how the plan was developed, including links to risk management. |
| | In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation? | ✓ | | | Risk management framework assessed by internal audit. Audit Universe given audit risk/priority ratings. |
| | If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this? | N/A | N/A | N/A | N/A |
| LGAN | Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work? | ✓ ✓ ✓ | | | All included in the plan for 16/17 |
| LGAN | Does the risk-based plan differentiate between audit and other types of work? | ✓ | | | All work categorised within the plan. |
| LGAN | Is the risk-based plan sufficiently flexible to reflect the changing risks | ✓ | | | The plan includes a contingency allowance, and |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|--|------------------|----|-----|--|
| | and priorities of the organisation? | | | | is subject to review throughout the year. |
| | Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls? | ✓ | | | The plan is subject to review throughout the year, with amendments reported to the Audit Committee. |
| | Is the internal audit activity's plan of engagements based on a documented risk assessment? | ✓ | | | The Council's strategic and operational risks are assessed and used in audit planning. |
| | Is the risk assessment used to develop the plan of engagements undertaken at least annually? | ✓ | | | The Council's strategic and operational risks are assessed at least annually. |
| LGAN | In developing the risk-based plan, has the CAE also considered the following: a) Any declarations of interest (for the avoidance for conflicts of interest)? b) The requirement to use specialists, e.g. IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion? | ✓ ✓ ✓ ✓ | | | Considered in strategic and assignment planning. Considered in strategic and assignment planning. Included in the plan. Included in the plan. |
| | Is the input of senior management and the board considered in the risk assessment process? | ✓ | | | Consultation takes place with senior management whilst producing the audit plan. Audit Committee views also taken into account. |
| | Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions? | ✓ | | | During audit planning. |
| | Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them? | ✓ | | | All proposed consulting work is considered before it is accepted. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|--|----|----|-----|---|
| | Are consulting engagements that have been accepted included in the risk-based plan? | ✓ | | | Added to the plan and reported to the Audit Committee. |
| | 2010 Conclusion | ✓ | | | |
| | <i>2020 Communication and Approval</i> | | | | |
| | Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval? | ✓ | | | Reported to Chief Officer Team and Audit Committee. Resource level supported by senior management and Audit Committee. This is evidenced in committee meeting minutes. |
| | Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen? | ✓ | | | Reported to the Audit Committee if necessary. Report in September 2016 due to vacancies. |
| | Has the CAE communicated the impact of any resource limitations to senior management and the board? | ✓ | | | Reported to the Audit Committee and COT. Annual plan included possible deferrals. |
| | | | | | |
| | 2020 Conclusion | ✓ | | | |
| | <i>2030 Resource Management</i> | | | | |
| | Does the risk-based plan explain how internal audit's resource requirements have been assessed? | ✓ | | | From experience and in line with others. |
| LGAN | Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time? | ✓ | | | Discussed in planning meetings and planned throughout the year |
| LGAN | If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed. | ✓ | | | Audit plan uses the resources available, sufficient to provide the audit opinion. May need to bring in specialised external resource for IT reviews. Budget allocation based on historic allocation however if additional resources are required the Audit Committee will give consideration. |
| | 2030 Conclusion | ✓ | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|----|----|-----|--|
| | <i>2040 Policies and Procedures</i> | | | | |
| | Has the CAE developed and put into place policies and procedures to guide the internal audit activity? | ✓ | | | Policies and procedures in place. Audit manual updated in 2015 after the introduction of integrated audit software. MKI checklist also produced. |
| LGAN | Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems. | ✓ | | | Policies and procedures in place. Audit manual updated in 2015 after the introduction of integrated audit software. MKI checklist also produced. |
| LGAN | Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards? | ✓ | | | See above – updated during 2015. |
| | 2040 Conclusion | ✓ | | | |
| | <i>2050 Coordination</i> | | | | |
| | Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources? | ✓ | | | Reliance placed on external auditors and regulators. |
| LGAN | Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance? | | | ✓ | Assurance mapping due to be completed in 2016. This has yet to be done due to staffing issues. |
| | Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services? | ✓ | | | Regular meetings with external auditors. |
| LGAN | Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans? | ✓ | | | Regular meetings with external auditors. Protocol in place with WAO. |
| | 2050 Conclusion | ✓ | | | |
| | <i>2060 Reporting to Senior Management and the Board</i> | | | | |
| | Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan? | ✓ | | | Quarterly performance reports to Audit Committee. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|------------|---|--------|-----|-----|---|
| | Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board? | ✓ | | | Major findings reported. In addition, reports provided as requested by the Audit Committee. |
| | Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board? | ✓ | | | Standard quarterly reporting. However, additional reporting would take place if there was sufficient importance and urgency. Major reports dealt with in full. When necessary management called to attend AC meetings. |
| | 2060 Conclusion | ✓ | | | |
| | <i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i> | | | | |
| | Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation? | N/A | N/A | N/A | N/A |
| | 2070 Conclusion | N/A | N/A | N/A | N/A |
| 4.2 | 2100 Nature of Work | | | | |
| | Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes? | ✓ | | | Overall aim of the department. Manager attends the Corporate Governance Working Group. |
| | Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced? | ✓ | | | Through the completion of the audit plan. |
| | 2100 Conclusion | ✓ | | | |
| | <i>2110 Governance</i> | | | | |
| | Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? b) Ensure effective organisational performance management and | ✓ ✓ | | | Through the completion of the audit plan and communication of findings to management. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|--|-------------|----|-----|---|
| | accountability? c) Communicate risk and control information to appropriate areas of the organisation? d) Coordinate the activities of and communicate information among the board, external and internal auditors and management? | ✓ ✓ | | | |
| | Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives? | ✓ | | | Through individual assignments and by the input of the manager to the Corporate Governance Working Group. |
| | Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities? | | ✓ | | Audit work is based on the Council's objectives and priorities and covers some of the areas in the Code of Corporate Governance such as organisational performance management and communication of risk and control information. The Future Generations Wellbeing act will be incorporated into future audits. |
| | Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives? | ✓ | | | Information technology governance included in the audit plan. |
| LGAN | Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan? | ✓ | | | All competing priorities are considered when finalising the plan. |
| | 2110 Conclusion | ✓ | | | |
| | <i>2120 Risk Management</i> | | | | |
| | Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite? | ✓ ✓ ✓ | | | Risk management included in the audit plan every year. Risks now aligned within the Improvement Plan and managed within the CAMMS system. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|--|-----------------------|----|-----|--|
| | d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities? | ✓ | | | Reported to O&S in Performance Reports. |
| | Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts? | ✓ ✓ ✓ ✓ ✓ | | | As part of audit planning and the completion of individual audit assignments. Evaluated and reported to O&S in Performance Reports. Within specific audits. Within specific audits. Within specific audits. Within specific audits. |
| | Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk? | ✓ | | | As part of audit planning, question in PAQ asks management to consider the risk of fraud in their area. The department is responsible for the maintenance of the Anti Fraud Strategy, Fraud Response Plan and Whistleblowing procedure. All updated during 2014/15. Fraud risks considered for each review (specific work programme used). |
| | Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement? | ✓ | | | Dependent on the nature of the assignment. |
| | Are internal auditors alert to other significant risks when undertaking consulting engagements? | ✓ | | | Any other risks are reported to audit management. |
| | Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes? | ✓ | | | Auditors do not take on management responsibility or risk management roles. |
| | 2120 Conclusion | ✓ | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|------------|---|--|----|-----|---|
| | <i>2130 Control</i> | | | | |
| | <p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation’s governance, operations and information systems regarding the:</p> <p>a) Achievement of the organisation’s strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?</p> | <p>✓ ✓ ✓ ✓ ✓</p> | | | As part of audit planning and the completion of individual risk based audit assignments. |
| | Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation’s control processes? | ✓ | | | All relevant knowledge is used. |
| | 2130 Conclusion | ✓ | | | |
| 4.3 | 2200 Engagement Planning | | | | |
| | Do internal auditors develop and document a plan for each engagement? | ✓ | | | Scope Planning Document completed for each audit. |
| | <p>Does the engagement plan include the engagement’s:</p> <p>a) Objectives? b) Scope? c) Timing? d) Resource allocations?</p> | <p>✓ ✓ ✓ ✓</p> | | | Standard format that includes all these. |
| | <p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <p>a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance? c) The significant risks to the activity being audited? d) The activity’s resources?</p> | <p>✓ ✓ ✓ ✓</p> | | | <p>Pre Audit Questionnaire used to gain information. Documented in the Planning Document where relevant. Not all are relevant to each audit.</p> |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|--|------------------|-----|-----|---|
| | e) The activity's operations? f) The means by which the potential impact of risk is kept to an acceptable level? g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? h) The opportunities for making significant improvements to the activity's governance, risk management and control processes? | ✓ ✓ ✓ ✓ | | | |
| | Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: a) Objectives? b) Scope? c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)? | ✓ | | | NWRWTP – objectives and scope of the audits agreed. Responsibility of IA included in Inter-Authority Agreement. |
| | For consulting engagements, have internal auditors established an understanding with the engagement clients about the following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations? | ✓ ✓ ✓ | | | Agreed with management at the start of the work. |
| | For significant consulting engagements, has this understanding been documented? | N/A | N/A | N/A | N/A |
| | 2200 Conclusion | ✓ | | | |
| | <i>2210 Engagement Objectives</i> | | | | |
| | Have objectives been agreed for each engagement? | ✓ | | | Part of the Planning Document. |
| | Have internal auditors carried out a preliminary risk assessment of the activity under review? | ✓ | | | Where applicable. Strategic and operational risks considered. Carried out using the Pre Audit |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|--|------------------|----|-----|--|
| | | | | | Questionnaire and Scoping Meeting |
| | Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out? | ✓ | | | Where applicable. |
| | Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks? | ✓ ✓ ✓ ✓ | | | When developing the Planning Document. |
| | Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished? | ✓ | | | PI's included within the audits. |
| | If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls? | ✓ | | | Part of overall evaluation. |
| | If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria? | | ✓ | | Lack of PIs reported where applicable, not developed by IA. |
| LGAN | If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets? | ✓ | | | Where referred to. Increased focus on value for money assignments during the year. |
| | Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client? | ✓ | | | Objectives agreed with the client. |
| | Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives? | ✓ | | | Objectives agreed with the client. |
| | 2210 Conclusion | ✓ | | | |
| | <i>2220 Engagement Scope</i> | | | | |
| | Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives? | ✓ | | | Recorded in Planning Document |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|---|-----|-----|-----|--|
| | Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises? | ✓ | | | All include consideration of systems. Others considered when appropriate, |
| | Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: a) Systems? b) Records? c) Personnel? d) Premises? | N/A | N/A | N/A | N/A |
| | Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up? | N/A | N/A | N/A | N/A |
| | Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards? | N/A | N/A | N/A | N/A |
| | For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives? | ✓ | | | Scope agreed at the start of the audit. |
| | If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement? | N/A | N/A | N/A | N/A |
| | During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements? | ✓ | | | As normal procedure. |
| | During consulting engagements, were internal auditors alert to any significant control issues? | ✓ | | | As normal procedure. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|------------|--|-------------|----|-----|---|
| | 2220 Conclusion | ✓ | | | |
| | <i>2230 Engagement Resource Allocation</i> | | | | |
| | Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available? | ✓ ✓ ✓ | | | Planned at start of the year, then amended with detailed planning. |
| | 2230 Conclusion | ✓ | | | |
| | <i>2240 Engagement Work Programme</i> | | | | |
| | Have internal auditors developed and documented work programmes that achieve the engagement objectives? | ✓ | | | Work programmes developed by auditors and reviewed by PAs for each engagement. |
| | Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information? | ✓ | | | Information, including analysis and evaluation, recorded in the engagement file. |
| | Were work programmes approved prior to implementation for each engagement? | ✓ | | | Reviewed by Principal Auditors. |
| | Were any adjustments required to work programmes approved promptly? | ✓ | | | By Principal Auditors. |
| | 2240 Conclusion | ✓ | | | |
| 4.4 | 2300 Performing the Engagement | | | | |
| | Have internal auditors carried out the following in order to achieve each engagement's objectives: a) Identify sufficient information? | ✓ | | | Standard methodology, trained and experienced staff, files reviewed by Principal Auditors and retained. Audit software and electronic files |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|----|----|-----|---|
| | b) Analyse sufficient information? c) Evaluate sufficient information? d) Document sufficient information? | | | | used. A checklist is included within the automated audit software. |
| | 2300 Conclusion | ✓ | | | |
| | <i>2310 Identifying Information</i> | | | | |
| | Have internal auditors identified the following in order to achieve each engagement's objectives: a) Sufficient information? b) Reliable information? c) Relevant information? d) Useful information? | ✓ | | | Information requested prior to the audit. All working papers and evidence contained within the IA Audit Management Software. Standard methodology, trained and experienced staff, files reviewed by Peers and Principal Auditors and retained. CAATs used where applicable. Some data not extracted by IA directly. |
| | 2310 Conclusion | ✓ | | | |
| | <i>2320 Analysis and Evaluation</i> | | | | |
| | Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations? | ✓ | | | Requirements set out in audit manual. Electronic files contain test sheets and results. Files reviewed by Peer and Principal Auditors and retained. |
| LGAN | Have internal auditors remained alert to the possibility of the following: a) intentional wrongdoing b) errors and omissions c) poor value for money d) failure to comply with management policy, and e) conflicts of interest when performing their individual audits, and has this been documented? | ✓ | | | Requirements set out in audit manual, standard methodology. Electronic files reviewed by Principal Auditors. Auditors are trained and experienced. |
| | 2320 Conclusion | ✓ | | | |
| | <i>2330 Documenting Information</i> | | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|----|----|-----|--|
| | Have internal auditors documented the relevant information required to support engagement conclusions and results? | ✓ | | | Requirements set out in audit manual. Files reviewed by Peers and Principal Auditors |
| LGAN | Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached? | ✓ | | | Requirements set out in audit manual. Files contain test sheets and results, reviewed by Peers and Principal Auditors and retained electronically. |
| | Does the CAE control access to engagement records? | ✓ | | | Electronic files used. Security and backup arrangements for the new software approved by ICT before procurement. Each auditor has their own unique user ID and password. |
| | Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties? | | | | N/A. Only released to WAO. |
| | Has the CAE developed and implemented retention requirements for all types of engagement records? | ✓ | | | Retention in line with Flintshire County Council and Data Protection guidelines. IA has developed its own Documents Retention document. |
| | Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements? | ✓ | | | Retention in line with Flintshire County Council and Data Protection guidelines |
| | 2330 Conclusion | ✓ | | | |
| | <i>2340 Engagement Supervision</i> | | | | |
| | Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed? | ✓ | | | Supervised by Principal Auditors – scope agreed, work reviewed. |
| | Is appropriate evidence of supervision documented and retained for each engagement? | ✓ | | | Recorded in the files. |
| | 2340 Conclusion | ✓ | | | |
| 4.5 | 2400 Communicating Results | | | | |
| | Do internal auditors communicate the results of engagements? | ✓ | | | During the audit and at debrief meeting, draft and final reports. There should be no surprises |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|--|-----|-----|-----|--|
| | | | | | at the debrief meeting. |
| | 2400 Conclusion | ✓ | | | |
| | <i>2410 Criteria for Communicating</i> | | | | |
| | Do the communications of engagement results include the following: a) The engagement's objectives? b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate? | ✓ | | | Opening meeting held, and included in scoping document. Debrief meeting held to discuss all findings. Included in all reports. |
| LGAN | Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions? | ✓ | | | Standard practice to have a closing meeting. |
| LGAN | If recommendations and an action plan have been included, are recommendations prioritised according to risk? | ✓ | | | Red, amber, green. |
| LGAN | If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales? | ✓ | | | Included in final report. |
| LGAN | If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted? | N/A | N/A | N/A | N/A. Disagreements are resolved. |
| LGAN | Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements? | ✓ | | | All material known facts disclosed. |
| LGAN | Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment? | ✓ | | | Included in the final report. |
| | When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account? | ✓ | | | Prior communication via the debrief meeting and draft report. Views considered, but the opinion remains the auditors. |
| | When an opinion or conclusion is issued, is it supported by sufficient, | ✓ | | | Reports supported by evidence in the file. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|--|----|----|-----|---|
| | reliable, relevant and useful information? | | | | |
| | Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question? | ✓ | | | Included in report. |
| | When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results? | ✓ | | | WAO only. Status of reports included in communications. |
| LGAN | If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services? | ✓ | | | Reports to NWRWTP. |
| | 2410 Conclusion | ✓ | | | |
| | <i>2420 Quality of Communications</i> | | | | |
| | Are communications: a) Accurate? b) Objective? c) Clear? d) Concise? e) Constructive? f) Complete? g) Timely? | ✓ | | | Aim for all of these, through specified report format, audit manual requirements, training and experience, review of files and reports. |
| | 2420 Conclusion | ✓ | | | |
| | <i>2421 Errors and Omissions</i> | | | | |
| | If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication? | ✓ | | | One report re-issued with updated information. |
| | 2421 Conclusion | ✓ | | | |
| | <i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i> | | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|--|-----|-----|-----|---|
| | Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement? | ✓ | | | Included in all reports (Front Page). |
| | 2430 Conclusion | ✓ | | | |
| | <i>2431 Engagement Disclosure of Non conformance</i> | | | | |
| | Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results? | N/A | N/A | N/A | N/A. Not happened. |
| | 2431 Conclusion | N/A | N/A | N/A | N/A |
| | <i>2440 Disseminating Results</i> | | | | |
| | Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements? | ✓ | | | Reports issued to Chief Officers, relevant managers. |
| | Has the CAE communicated engagement results to all appropriate parties? | ✓ | | | Through debrief meetings, draft and final reports. |
| | Before releasing engagement results to parties outside the organisation, did the CAE: a) Assess the potential risk to the organisation? b) Consult with senior management and/or legal counsel as appropriate? c) Control dissemination by restricting the use of the results? | ✓ | | | WAO only for Flintshire Audit reports. NWRWTP – reports seen by senior management / legal before they are issued. |
| | Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board? | ✓ | | | Included in reports and issued to Chief Officers. Also reported to Audit Committee, in summary or in total. |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-------------|---|-----|-----|-----|--|
| | 2440 Conclusion | ✓ | | | |
| | <i>2450 Overall Opinion</i> | | | | |
| | Has the CAE delivered an annual internal audit opinion? | ✓ | | | Annual Report. |
| | Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control? | ✓ | | | Annual Report includes the opinions. |
| | Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders? | ✓ | | | Expectations taken into account, but it remains the audit opinion. |
| | Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information? | ✓ | | | Built up from all reports in the year. |
| | Does the communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion? | ✓ | | | All included in the Annual Report. |
| | Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated? | N/A | N/A | N/A | N/A. Not given. If this were the case, reasons would be included. |
| | Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement? | ✓ | | | Used and quoted in the AGS. |
| LGAN | Does the annual report incorporate the following: a) The annual internal audit opinion? | ✓ | | | N/A. No qualifications N/A. No qualifications |
| LGAN | b) A summary of the work that supports the opinion? | ✓ | | | |
| LGAN | c) A disclosure of any qualifications to the opinion? | ✓ | | | |
| LGAN | d) The reasons for any qualifications to the opinion? | ✓ | | | |
| | e) A disclosure of any impairments or restriction in scope? | ✓ | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|------------|--|----|----|-----|--|
| LGAN | f) A comparison or work actually carried out with the work planned? | ✓ | | | |
| LGAN | g) A statement on conformance with the PSIAS? | | | | |
| | h) The results of the QAIP? | ✓ | | | |
| | i) Progress against any improvement plans resulting from the QAIP? | ✓ | | | |
| LGAN | j) A summary of the performance of the internal audit activity against its performance measures and targets? | ✓ | | | |
| LGAN | k) Any other issues that the CAE judges is relevant to the preparation of the governance statement? | ✓ | | | |
| LGAN | | ✓ | | | |
| | 2450 Conclusion | ✓ | | | |
| 4.6 | 2500 Monitoring Progress | | | | |
| | Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action? | | ✓ | | Action tracking in operation for all actions using audit software which gives direct access to managers to update and monitor progress. Monthly reports issued to management on outstanding reports. Also some follow up reviews. Managers called to Audit Committee if inadequate action. Action tracking report to Chief Officers monthly and to each Audit Committee. |
| | Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion? | ✓ | | | Issue new report after the follow up if necessary. |
| | Do the results of monitoring management actions inform the risk-based planning of future audit work? | ✓ | | | Included in planning for the year. |
| | Does the internal audit activity monitor the results of consulting engagements as agreed with the client? | ✓ | | | At a later time by a different auditor, to ensure independence is maintained. |
| | 2500 Conclusion | ✓ | | | |
| 4.7 | 2600 Communicating the Acceptance of Risks | | | | |

| Ref | Conformance with the Standard | GC | PC | DNC | Evidence |
|-----|---|----|----|-----|----------|
| | If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management? | ✓ | | | |
| | If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board? | ✓ | | | |
| | 2600 Conclusion | ✓ | | | |

Quality Assurance and Improvement Plan – 2016/17

Appendix B

Actions from assessment December 2016 – questions not scored as conforming

| Ref | Conformance with the Standard | Compliance | Planned Actions | Person Responsible | Timescale | Comment |
|-----|--|----------------|--|--------------------|-----------|---|
| 3.4 | Does the QAIP include both internal and external assessments? | Partial | Continue internal assessments, external assessment to be completed by 2017/18. | LB | Ongoing | Ongoing. Internal assessments completed annually, again in March 2016. Agreed with Chair of AC and COG for external assessment due to take place 27 th March 2017. |
| 4.1 | Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance? | Non compliance | Assurance mapping to be completed in 2015. | LB | Mar 18 | Not achieved. Due to a change in Management this will take place by March 2018. |
| 4.2 | Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities? | Partial | Review as part of CGWG – review of Code of Corporate Governance. | LB | Ongoing | Ongoing. Audit work is based on the Council's objectives and priorities and covers some of the areas in the Code of Corporate Governance such as organisational performance management and communication of risk and control information. |

| Ref | Conformance with the Standard | Compliance | Planned Actions | Person Responsible | Timescale | Comment |
|---------|--|------------|--|--------------------|-----------|--|
| 4.2 | Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk? | Partial | Improve awareness of fraud. Collect data on fraud risk. | LB | Ongoing | Ongoing. Anti-Fraud and Corruption Strategy and Fraud Response Plan reviewed, updated and launched on Infonet. Separate work programme on fraud related question used for each audit. |
| 1220.A2 | Where appropriate audit engagements are supported by appropriate tools, including reporting within information systems, interrogation techniques and other CAATT's | Partial | Further develop the level of expertise and use of CAATT's within Internal Audit. | LB | Mar 18 | Two additional members of staff identified for training in the use of CAATT's (IDEA). |
| 2110.A1 | Internal Audit reviews the activities in place that manage and monitor the effective implementation of the organisation's ethics and values | Partial | Develop a standard template for use on every review to assess the organisation's implementation of ethics and values | LB | Mar 18 | The template (when developed) will be attached within the audit management system MKInsight. |

Quality Assurance Improvement Programme – Components (CIIA)

Appendix C

| Ref | Component | Actions 2014/15 | Completed Actions 2015/16 | Planned Actions 2016/17 |
|-----|---|--|--|---|
| 1 | Develop and maintain audit policies and procedures. | System for producing reports changed during the year – distribution of discussion draft reports, then debrief meeting to agree comments, then speedy issue of final reports. Further changes planned to include the use of bullet points instead of detailed recommendations, with management tasked with producing action points. | Manual and MKI procedures reviewed and re-issued. | Going review of policies and procedures to ensure most effective working arrangements are in place. |
| 2 | Administer and maintain the Internal Audit Manual. | Not updated after the move from Tenon – awaiting introduction of MKInsight. To be updated during 2015/16. | Reviewed and Reissued January 2016 | Review and reissue if amended in 2017. |
| 3 | Ensure the financial and budget management of the department. | Financial budget maintained through monthly monitoring | Financial budget maintained through monthly monitoring. | Financial budget maintained through monthly monitoring. |
| 4 | Maintain the audit risk universe, gather and incorporate new | Audit universe derived from previous audits plus new developments. Incorporated in | Audit Universe updated from audits and Improvement Plan and Risk Registers. Incorporated | Audit Universe updated from audits and Improvement Plan and Risk Registers. Incorporated |

Page 71

| Ref | Component | Actions 2014/15 | Completed Actions 2015/16 | Planned Actions 2016/17 |
|-----|---|---|---|---|
| | information impacting the universe. | Strategic Planning. | in strategic planning. | in strategic planning. Quarterly meetings has been introduced with Chief Officers and their DMT and bimonthly with the Chief Executive to ensure the audit plan remains a live document. |
| 5 | Evaluate audit risk and produce the strategic plan. | Strategic Plan produced using risks from Improvement Plan and own knowledge. | Strategic Plan produced using risks from Improvement Plan and own knowledge. | Strategic Plan produced using risks from Improvement Plan and own knowledge and through consultation with Management. |
| 6 | Agree and implement an annual plan. | Annual Plan is the first year of the Strategic Plan completed in more detail. During 2014/15 it was produced for the old FCC structure then rearranged at half year to reflect the new FCC structure – with further consultation at that point. | Annual Plan is the first year of the Strategic Plan. | Annual Plan is the first year of the Strategic Plan. It will be presented to Audit Committee on 15 March 2017 for approval. |
| 7 | Operate audit tools and use up to date technology. | Department changed to MKInsight during the year. IDEA also in place and will be updated to v9. | MKInsight used for all stages of the audit process. IDEA used for more audits, when applicable. | MKInsight used for all stages of the audit process. There will be an increased use of Further development the use of IDEA root cause analysis. |

| Ref | Component | Actions 2014/15 | Completed Actions 2015/16 | Planned Actions 2016/17 |
|-----|---|--|---|---|
| 8 | Manage recruitment to meet staffing needs. | Full time member of staff recruited to fill vacancy at the start of the year. Current staffing levels agreed by Audit Committee and Chief Executive as being necessary, not affected by Business Planning. | No recruitment needed. | Recruitment to the post of Senior Auditor and Internal Audit Manager. The Principal Auditor is acting up to Interim Internal Audit Manager however the Principal Auditor's post has not been backfilled. |
| 9 | Complete annual performance appraisals. | Appraisals completed. | Completed January 2016 using new template and method | To bring appraisals in line with the Interim Internal Audit Managers, appraisals will be delayed from January to April. |
| 10 | Maintain training and development of staff. | Training arranged after appraisals, also training on new software – MKInsight. | Training log maintained. Development plan developed from the results of appraisals. | Training log maintained. Development plan developed from the results of appraisals. |
| 11 | Evaluate post-audit questionnaires. | Questionnaires evaluated on an ongoing basis – no problems. | Questionnaires now issued via MKI | Questionnaires now issued via MKI. Further scope for improvement as there has been a decrease in the number of questionnaires being returned. |
| 12 | Complete quarterly progress reports to audit committee. | Progress reports presented to the AC every quarter. | Progress reports presented to the AC every quarter. | Progress reports presented to the AC every quarter. |
| 13 | Monitor the implementation of | Fundamental and significant recommendations tracked | Actions now tracked through MKInsight | Actions now tracked through MKInsight. |

| Ref | Component | Actions 2014/15 | Completed Actions 2015/16 | Planned Actions 2016/17 |
|-----|---|---|---------------------------|---|
| | audit recommendations. | using in-house system. Also some follow up work. Will be improved with the implementation of MKInsight. | | A monthly report of all outstanding actions is issued to Chief Officers and presented to Audit Committee. |
| 14 | Keep the audit team up to date with professional best practice. | Training courses, seminars etc. monitored. Manager, Principals and Senior Auditors attend where relevant. | Training log maintained. | Training log maintained. |



AUDIT COMMITTEE

| | |
|------------------------|--|
| Date of Meeting | Wednesday, 15 March 2017 |
| Report Subject | Certification of grants and returns 2015/16 |
| Cabinet Member | Leader of the Council and Cabinet Member for Finance |
| Report Author | Corporate Finance Manager |
| Type of Report | Operational |

EXECUTIVE SUMMARY

The purpose of the report is to inform Members of the grant claim certification for the year ended 31st March 2016.

The Council's external auditors, the Wales Audit Office (WAO) are required to report annually on the certification of grant claims and returns and the annual report for 2015/16 is appended to this report.

The Finance Management Team has considered the report in detail and has addressed the specific findings contained in the report as required.

It is pleasing to note that the WAO have recognised the improvement made with the production and submission of grant claims from previous years and it is important that the Council further builds on this progress to make further enhancements for the 2016/17 audit.

RECOMMENDATIONS

| | |
|---|---|
| 1 | Members are requested to note the content of the Grant Claim Certification for 2015/16. |
|---|---|

REPORT DETAILS

| | |
|-------------|--|
| 1.00 | EXPLAINING THE GRANT CERTIFICATION REPORT 2015/16 |
| 1.01 | The Council's external auditors, the Wales Audit Office (WAO) are required to report annually on the certification of grant claims and returns and the annual report for 2015/16 is appended to this report. |
| 1.02 | The Finance Management Team has considered the report in detail and has addressed the specific findings contained in the report as required. |
| 1.03 | In relation to the overall grants total of £156m, the net adjustment to claims of £6,633 is a relatively small proportion and did not result in a financial loss to the council as the adjusted claims reflected the actual amounts due to the Council. |
| 1.04 | It is pleasing to note that the WAO have recognised the improvement made with the production and submission of grant claims from previous years and it is important that the Council further builds on this progress to make further enhancements for the 2016/17 audit. |
| 1.05 | As with previous years Officers will continue to work alongside WAO to further improve the quality of the claims and address specific issues as they arise. |

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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | As set out in the Audit report. |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | The report has been shared with staff with responsibility for dealing with grants. |

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| 4.00 | RISK MANAGEMENT |
| 4.01 | As set out in the report. |

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|-------------|---|
| 5.00 | APPENDICES |
| 5.01 | Appendix 1 – Certification of Grants and Returns 2015-16, Wales Audit Office report |

| | |
|-------------|--|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>Contact Officer: Gary Ferguson (Corporate Finance Manager)</p> <p>Telephone: (01352) 702271</p> <p>E-mail: gary.ferguson@flintshire.gov.uk</p> |

| | |
|-------------|--|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>Grant: a financial assistance mechanism providing money, property, or both to an eligible entity to carry out an approved project or activity.</p> <p>Certification: a statement, signed by an applicant or grantee as a prerequisite for receiving funds, that it (1) meets or will adhere to certain conditions and/or (2) will undertake or not undertake certain actions.</p> <p>Grant Completion Checklist: a template produced to determine the evidence and information required to be prepared to support a grant claim submission.</p> <p>Financial Year: the period of 12 months commencing on 1 April.</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> |

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2015-16 – **Flintshire County Council**

Audit year: 2015/16

Date issued: March 2017

Document reference: 199A2017



This document has been prepared as part of work performed in accordance with statutory functions.

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 the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work comprised John Herniman, Amanda Hughes, Simon Monkhouse and other members of the Wales Audit Office team

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Summary

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
- 2 We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Flintshire County Council (the Council) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
- 3 We have completed the audit and conclude that the Council has sound arrangements in place for the production and submission of its
4 2015-16 grant claims. We have made five recommendations and will continue to work with the Council to assist them in making further improvements in readiness for the 2016-17 grant claim certification audit.
- 5 For 2015-16 we certified 13 grant claims with a total value of £156 million; this compares to 14 grant claims with a value of £135 million for 2014-15.
- 6 Overall, the outcome of our grant certification audits resulted in a reduction of £6,633 to the amount claimable by the Council in 2015-16.
- 7 The results of our work also highlighted that:
- 46% (six claims) (56% (nine claims) in 2014-15) were subject to either qualification or amendment or both;
 - 15% (two claims) were both qualified and amended (four claims (25%) in 2014-15);
 - 23% (three claims) were qualified with no amendment (two claims (12%) in 2014-15); and
 - 8% (one claim) was amended with no qualification (three claims (19%) in 2014-15).
- 8 We acknowledge the Council's assistance and co-operation during the audit.

Headlines

Exhibit 1: Headlines

| | |
|------------------------------------|---|
| Introduction and background | This report summarises the results of work on the certification of the Council's 2015-16 grant claims and returns <ul style="list-style-type: none">• As auditors of the Council we are asked to certify grant claims made by the Council.• For 2015-16, we certified 13 grants with a total value of £156 million, compared with 14 grant claims for 2014-15 with a value of £135 million.• We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes. |
| Timely receipt of claims | Our analysis shows that 12 out of the 13 grant claims received during the year were received by the audit deadline (92%). The late submission of one claim did not affect our audit work. |
| Certification results | Of the 13 claims audited, five were qualified (38%), which compares with six claims (43%) qualified during 2014-15 <ul style="list-style-type: none">• The reasons for qualifying the grants can be grouped into ongoing issues which have been reported in previous financial years and issues which have come to our attention (for the first time) during our grant work carried out in 2015-16:<ul style="list-style-type: none">Qualification issues reported in previous financial years<ul style="list-style-type: none">– There was a lack of supporting evidence for a claim;– there was an instance of non-compliance with the Council's standing orders for contracts; and– there were instances of ineligible expenditure as it related to prior or subsequent financial years.Qualification issues reported for the first time in 2015-16<ul style="list-style-type: none">– There were instances where recoverable VAT was incorrectly included within the claim; |

| | |
|-----------------------------------|---|
| | <ul style="list-style-type: none"> – redundancy costs were included within a claim despite no application for their inclusion being made to Welsh Government as required; – there were claims which showed insufficient monitoring of third party expenditure; – an underspend by the Council was not refunded to the grant despite being recorded in the year-end return; and – administration fees were included in a claim with no evidence for its eligibility. |
| Audit adjustments | <p>Adjustments were necessary to three of the Council's grants</p> <ul style="list-style-type: none"> • Three of the Council's grant claims were subject to amendment which resulted in a reduction of £6,633 to the amount claimable by the Council. |
| The Council's arrangements | <p>The arrangements that the Council has in place for the production and submission of grant claims has shown a marked improvement from previous years although there are areas where further enhancement could be made</p> <ul style="list-style-type: none"> • We have made five recommendations which are detailed on page 13 of this report which, if implemented, will help the Council enhance its arrangements further in readiness for the 2016-17 grant claim certification audit. |
| Fees | <p>Our overall fee for certification of grants and returns for 2015-16 is £57,500* (2014-15 - £71,180)</p> <ul style="list-style-type: none"> • In our Audit Plan reported to the Audit Committee in March 2016, we estimated that for 2015-16, we would audit in the region of between 10 and 15 grant claims with an estimated fee of between £65,000 and £75,000. |

* includes an estimate for the Bus Service Support Grant, as the audit work was completed in February 2017, in line with the certification instruction, and has not yet been billed.

Summary of certification work outcomes

- 8 Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2015-16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 9 A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

Exhibit 2: Key information for 2015-16

Page 85

Key information for 2015-16

Overall, we certified 13 grants and returns:
Seven were unqualified with no amendment
One was unqualified but required an amendment
Three required a qualification with no amendment
Two required qualification and an amendment

Exhibit 3: Summary of key outcomes

| Ref – Para 8 | Grants and returns | Claim value (£000) | Claim due | WAO received date | Received on time | Qualified certificate | Amended certificate | Significant adjustment (>£10,000) | Minor adjustment (<£10,000) |
|-----------------|---------------------------------------|--------------------------|--------------|-------------------------|---------------------|--------------------------|------------------------|---|-----------------------------------|
| 1 BEN01 | Housing and Council Tax Benefits | 38,853 | 30/04/16 | 30/04/16 | Y | Y | Y | N/A | (£2,494) |
| 2 EDU18 | 21st Century Schools | 15,772 | 30/09/16 | 16/09/16 | Y | N | N | N/A | N/A |
| 3 EYC01 | Flying Start Revenue | 2,967 | 30/09/16 | 30/09/16 | Y | Y | N | N/A | N/A |
| 4 EYC02 | Flying Start Capital | 280 | 30/09/16 | 16/09/16 | Y | N | N | N/A | N/A |
| 5 EYC14 | Families First | 1,689 | 30/09/16 | 15/09/16 | Y | N | N | N/A | N/A |
| 6 LA01 | National Non-domestic Rates Return | 66,428 | 27/05/16 | 27/05/16 | Y | N | Y | N/A | £1 |
| 7 PEN05 | Teachers Pensions Return | 12,801 | 27/05/16 | 19/07/16 | N | N | N | N/A | N/A |
| 8 RG03 | Communities First – East | 311 | 31/07/16 | 29/07/16 | Y | Y | N | N/A | N/A |
| 9 RG03 | Communities First - West | 365 | 31/07/16 | 29/07/16 | Y | Y | N | N/A | N/A |

| Ref – Para 8 | Grants and returns | Claim value (£000) | Claim due | WAO received date | Received on time | Qualified certificate | Amended certificate | Significant adjustment (>£10,000) | Minor adjustment (<£10,000) |
|-----------------|---|--------------------------|--------------|-------------------------|---------------------|--------------------------|------------------------|---|-----------------------------------|
| 10 SOC 07 | Social Care Workforce Development Programme | 445 | 30/09/16 | 30/09/16 | Y | N | N | N/A | N/A |
| 11 TRA15 | Local Transport Grant | 787 | 30/09/16 | 28/09/16 | Y | N | N | N/A | N/A |
| 12 TRA23 | Free Concessionary Travel | 2,246 | 30/09/16 | 28/09/16 | Y | N | N | N/A | N/A |
| 13 TRA27 | Bus Service Support Grant | 13,445 | N/A* | N/A* | Y | Y | Y | N/A | (£4,140) |
| | Total | £156,389 | | | | | | | (£6,633) |

*The publication of the Certification Instruction was delayed during discussions with Welsh Government. Claim was received when required.

Exhibit 4: Key issues for adjustments or qualifications identified on pages 8 and 9

| Ref | Summary observations | Amendment |
|-----|--|--|
| 1 | <p>BEN01 Housing Benefit Subsidy</p> <p>The Housing Benefit was qualified in respect of the following errors:</p> <ul style="list-style-type: none"> • Incorrect assessment of earned income - we identified 18 cases where the income earned by the applicant had been incorrectly calculated and applied. Of these, eight created an overpayment of benefit, seven created an underpayment of benefit and three had no impact on the amount of benefit claimed. Of these cases, four affected Rent Rebates and 14 affected Rent Allowances, with all the overpayments affecting Rent Allowances. • Claim not correctly passported – our testing identified one case which should have been treated as a passported benefit but had not been treated as such. Ultimately, as the claimant would have received full benefit in both instances, this had no impact on the amount of benefit awarded. • Incorrect application of ‘Rent Officer Determination’ – our testing identified two cases where the Rent Officer Determination had not been correctly applied to the amount of rent awarded. This resulted in an underpayment of benefit. • In-year reconciliation cells – Cells 037, 077 and 120 should agree to the entries within cells 011, 055 and 094 respectively. However, every reconciliation cell differed by £1. <p>The claim was amended for the following reason:</p> <ul style="list-style-type: none"> • Our audit identified errors that affected a number of cells within the claim. The total of the amendments made to individual cells in the claim was £18,116. This resulted in a reduction in the amount claimable by the Council of £2,494 | <p>Our qualification letter to the DWP reported extrapolated errors totalling £25,177.</p> <p>(£2,494)</p> |

| Ref | Summary observations | Amendment |
|-----|--|---|
| 2 | <p>EYC01 Flying Start Revenue</p> <p>The Flying Start Revenue claim was qualified for the reasons outlined below:</p> <ul style="list-style-type: none"> We were unable to agree third party expenditure to supporting evidence for payments to BCULHB and Mudiad Meithrin and we found insufficient monitoring of this by the Council. The payments related to the period from April 2015 to December 2015 and totalled £394,970. Payments from January 2016 to March 2016 showed a sufficient level of monitoring. Due to their specialist nature, an 'Exemption from Tender' document was prepared for the services supplied by BCULHB. However, at the time of audit, the Council was unable to supply us with an Exemption that had been authorised by the Monitoring Officer as required by Contract Procedure Rule 10.2. Recoverable VAT of £524 had been incorrectly included in the claim which related to lease car costs. | <p>The Council did not make amendments for the issues listed.</p> |
| | <p>LA01 National Non-Domestic Rates</p> <p>The NNDR claim was amended for the reason outlined below:</p> <ul style="list-style-type: none"> The arithmetic on the claim was incorrect. | <p>£1</p> |
| 4 | <p>RG03 Communities First - East</p> <p>The Communities First - East claim was qualified for the reasons outlined below:</p> <ul style="list-style-type: none"> The claim included expenditure of £29,723 which related to the 16/17 financial year. Although verbal approval was apparently given by Welsh Government for its inclusion, no proof could be provided during the audit. The claim included expenditure of £1,737 which related to the 14/15 financial year. Recoverable VAT of £15 had been incorrectly included in the claim. | <p>The Council did not make amendments for the issues listed.</p> |
| 5 | <p>RG03 Communities First - West</p> <p>The Communities First - West claim was qualified for the reasons outlined below:</p> <ul style="list-style-type: none"> The claim included expenditure of £29,722.53 which related to the 16/17 financial year. Although verbal approval was apparently given by Welsh Government for its inclusion, no proof could be provided during the audit. | <p>The Council did not make amendments for the issues listed.</p> |

| Ref | Summary observations | Amendment |
|-----|--|-------------------------------|
| | <ul style="list-style-type: none"> The claim included £7,343 of redundancy costs but no application for their inclusion had been made to Welsh Government as is required. | |
| 6 | <p>TRA27 Bus Service Support Grant</p> <ul style="list-style-type: none"> There is insufficient monitoring of third party expenditure. This relates to monies granted to Local Authorities (£4,712,940 over the two years) and Community Transport Operators (£1,090,282 over the two years). The Council did not inform the Welsh Government of retention monies prior to 30 April 2016 as required. The retention amount included in the claim totalled £630,040. Administrative expenses totalling £35,000 are included in the 2015-16 year for which no evidence of eligibility can be provided. Although verbal approval was apparently given by Welsh Government for its inclusion, no proof could be provided during the audit. A Local Authority underspend of grant has not been accounted for. An underspend of £14,708 for Flintshire County Council was not refunded to the grant despite being recorded in the Council's year-end return. <p>The claim was amended for the reason outlined below:</p> <ul style="list-style-type: none"> An amount of £465 accrued as eligible expenditure within the 2014-15 year was not subsequently claimed by a bus service provider. The 2015/16 year included expenditure of £3,675 that related to the 2014/15 financial year. | <p>(£465)</p> <p>(£3,675)</p> |
| | Total effect of amendments to the Council | (£6,633) |

Recommendations

10 The recommendations arising from our work are set out below.

Exhibit 5: Recommendations

| Recommendations | |
|-----------------|--|
| R1 | The Council should ensure that they are aware of grant terms and conditions. Where application/authorisation is required for particular expenditure, the Council must ensure that this is obtained in writing prior to the transactions taking place, and is retained for audit purposes. |
| R2 | The Council should ensure that the Contract Procedure Rules are strictly adhered to and that evidence of the necessary processes is retained for audit purposes. |
| R3 | The Council should ensure that adequate arrangements are in place to monitor expenditure made by third parties. The Council needs to satisfy itself that third party expenditure is correctly reported and is incurred in line with the requirements of grant terms and conditions. |
| R4 | The Council should ensure that no reclaimable VAT is included in any grant claims. |
| R5 | The Council should ensure that expenditure included in claims only relates to the financial year being reported and audited. Where permission has been received from Welsh Government for the inclusion of any expenditure which does not relate to the year in question, this is received in writing prior to the inclusion of the amount, and is retained for audit. |

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AUDIT COMMITTEE

| | |
|------------------------|---|
| Date of Meeting | Wednesday 15 March 2017 |
| Report Subject | Wales Audit Office report on Financial Resilience: Savings Planning: Council Response |
| Cabinet Member | Leader of the Council and Cabinet Member for Finance |
| Report Author | Chief Executive |
| Type of Report | Strategic |

EXECUTIVE SUMMARY

Cabinet received a report in January from the Wales Audit Office's (WAO) recently published report for Flintshire entitled "Financial Resilience: Savings Planning". The scope of the review intended to answer the following: *"Do the council's financial savings planning arrangements support financial resilience?"*

The main conclusion of the review was:

"The Council has a sound financial planning framework and it continues to strengthen its financial planning to better support future financial resilience."

To further strengthen these arrangements the WAO have identified one proposal for improvement which is:

"Strengthen financial planning arrangements by ensuring that all savings proposals are sufficiently developed before the start of the financial year in which they are to be implemented."

This report provides the Council's response to this proposal for improvement.

RECOMMENDATIONS

| | |
|---|---|
| 1 | To endorse the Council's response to the proposal for improvement of the WAO report on the Council's arrangements for financial savings planning. |
|---|---|

REPORT DETAILS

| 1.00 | EXPLAINING THE FINANCIAL RESILIENCE REPORT |
|------|--|
| 1.01 | <p>During 2015-16 the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016.</p> <p>The national summary report concluded that “strategic planning arrangements are improving but councils have difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience”.</p> <p>The local review in 2015-16 concluded that <i>“the Council continued to improve its financial planning and control arrangements and strengthen its ability to respond to the ongoing financial challenges.”</i></p> |
| 1.02 | <p>A follow-up review of financial resilience was undertaken between June and September last year focusing on work to identify, plan for and deliver savings. This review is being undertaken at all 22 councils.</p> <p>The scope of the review is the Council’s arrangements for financial savings planning which, in the current funding climate and the reduced settlements for local government is critical to financial resilience.</p> <p>The full report is attached as Appendix 1.</p> |
| 1.03 | <p>The conclusion of this recent review is: <i>“the Council has a sound financial planning framework and it continues to strengthen its financial planning to better support future financial resilience”</i>.</p> |
| 1.04 | <p>The supporting conclusions of the review include:</p> <p>Savings achievement 2015-16: The Council has reported achievement of 83% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered.</p> <p>Financial planning arrangements: The Council has an effective corporate framework for financial planning and plans to lengthen the term of the MTFs to five years to address the current lack of indicative plans for future years.</p> <p>Savings Plan 2016-17: The Council forecasts that it will achieve 90% of its 2016-17 revised planned savings but some of its savings proposals are not sufficiently well developed when the budget is approved.</p> |
| 1.05 | <p>WAO identified one proposal for improvement which is:</p> <p><i>“Strengthen financial planning arrangements by ensuring that all savings proposals are sufficiently developed before the start of the financial year in which they are to be implemented.”</i></p> |

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| 1.06 | The Council's response to this proposal for improvement is attached to this report as Appendix 2. |
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| 2.00 | RESOURCE IMPLICATIONS |
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| 2.01 | There are no specific resource implications regarding this report; as the report is a view of the Council's general arrangements to support financial resource planning. |
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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
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| 3.01 | Wales Audit Office sought views from Chief Officers and finance colleagues to inform their review. |
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| 4.00 | RISK MANAGEMENT |
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| 4.01 | The Council consistently reviews risks in relation to financial planning and the resilience of its plans. The Medium Term Financial Strategy and in-year business plans are monitored monthly. |
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| 5.00 | APPENDICES |
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| 5.01 | Appendix 1 – Financial Resilience: Savings Planning – Flintshire County Council: January 2017 Appendix 2 – Council Executive response |
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| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
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| 6.01 | Wales Audit Office: Financial Resilience Assessment (March 2016) Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer Telephone: 01352 702740 E-mail: karen.armstrong@flintshire.gov.uk |
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| 7.00 | GLOSSARY OF TERMS |
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| 7.01 | Wales Audit Office (WAO) Works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes. |
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WALES AUDIT OFFICE
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Auditor General for Wales

Financial Resilience: Savings Planning – **Flintshire County Council**

Audit year: 2016-17

Date issued: January 2017

Document reference: 671A2016

This document has been prepared as part of work performed in accordance with statutory functions.

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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 the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

The team who delivered the work comprised Charlotte Owen and Jeremy Evans, under the direction of Alan Morris.

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Summary report

Summary

- 1 Good financial management is essential for the effective stewardship of public money and the continual delivery of efficient public services. The current financial climate and the reduced settlements for local government mean that good financial planning, with well-considered savings plans, is critical to financial resilience.
- 2 This review focuses on answering the following question: **Do the council's financial savings planning arrangements support financial resilience?**
- 3 Good financial planning:
 - helps councils take the right decisions for the short, medium and long term;
 - helps councils deliver services to meet statutory obligations and the needs of local communities;
 - is essential for good corporate governance;
 - is about managing performance and achieving strategic objectives as much as it is about managing money;
 - underpins service quality and improvement;
 - is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - is a key management discipline.
- 4 Financial planning for the medium to long term involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and, where necessary, developing appropriate savings strategies.
- 5 A council's strategic priorities and its financial health should be the basis for deciding what is practicable. Well-considered and detailed long-term financial strategies and Medium-Term Financial Plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning encourages an incremental and process-driven approach that is too inflexible in a period of rapid external change.
- 6 Councils cannot accurately forecast the proportion of their income that relies on the Welsh Government beyond the current settlement. However, they can use information to anticipate changing circumstances, set priorities, make choices and manage service delivery. They can calculate how much they would need to deliver services (at current or future prices) and review alternative income and spending scenarios to identify gaps and prepare for the future by investigating different approaches.

- 7 During 2015-16 the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The national summary report concluded that **strategic planning arrangements are improving but councils have difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience.**
- 8 In this assessment, undertaken during the period June to September 2016, we have focused on work to identify, plan for and deliver savings. We examined the extent to which Flintshire County Council (the Council) achieved its 2015-16 savings plans, the work it has done to ensure financial resilience during the 2016-17 financial planning period and the robustness of its 2016-17 savings plans.
- 9 We sampled three savings proposals for 2016-17 and looked at the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale.
- 10 We followed up our 2015-16 work to determine what the Council did as a consequence of what it learnt and how it has responded to our proposals for improvement in relation to financial planning if we made any.
- 11 In this report we have described some key characteristics of effective financial planning – **What good looks like**. Auditors have used these and other factors to reach a balanced view on the effectiveness of a council's financial planning arrangements and to evaluate the ability of a council to deliver its Medium-Term Financial Plan (MTFP) and planned savings.
- 12 In our 2015-16 review we concluded that **the Council continued to improve its financial planning and control arrangements and strengthen its ability to respond to the ongoing financial challenges.**
- 13 In this review we concluded that **the Council has a sound financial planning framework and it continues to strengthen its financial planning to better support future financial resilience.**

Proposals for improvement

Exhibit 1: Proposals for improvement

- 14 It would be unusual if we did not find things that can be improved and, where we do, the Auditor General can take a variety of steps. In this case a proposal for improvement has been made and we would expect the Council to do something about it.

Proposals for improvement

- P1 Strengthen financial planning arrangements by:
- ensuring that all savings proposals are sufficiently developed before the start of the financial year in which they are to be implemented.

Detailed report

The Council has a sound financial planning framework and it continues to strengthen its financial planning to better support future financial resilience

Context

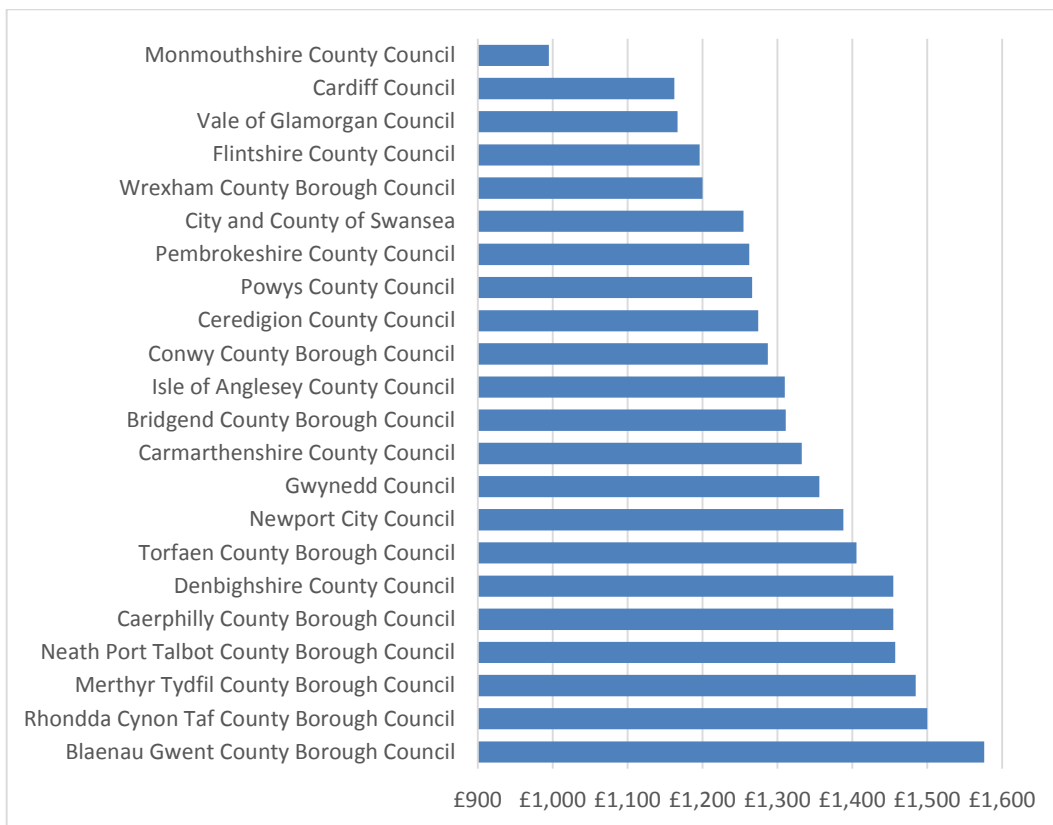
- 15 Since 2010, the UK government has reduced spending on public services as part of its plan to reduce the deficit. With cuts to its budget, the Welsh Government has had to make difficult choices as to how to allocate those funding cuts across devolved public services. As a result, the amount of core funding made available by the Welsh Government to local councils has reduced each year. So far, most local councils have managed to reduce expenditure and balance budgets, but the scale of annual reductions is likely to continue. Our analysis shows that between 2013-14 and 2016-17, there is a real-terms reduction of £483 million (10.9%) in this core funding¹.
- 16 The impact of the decision to leave the European Union may represent a threat to local councils and the wider public sector in Wales. In the immediate aftermath of the decision there was reaction across financial markets resulting in volatility in, for example, share prices, currency exchange rates, oil prices and bond yields, and the UK continues to face a great deal of uncertainty on top of significant questions regarding future economic and trading relationships with Europe. The Welsh Local Government Association (WLGA) has expressed concerns over the implications of the European Union referendum outcome, calling it a 'seismic change in UK public policy'² especially as local councils are the largest employer in Wales and the deliverer of many important public services.

¹ Comparing core funding (Aggregate External Finance (AEF)) across the period 2013-14 to 2016-17 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into core funding grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in core funding, it is not necessarily a net increase in funding. The net value of grants incorporated into core funding since 2013-14 is around £76 million in real terms (adjusted for inflation).

² Welsh Local Government Association, **Councils voice concern over service impacts of EU referendum**, 24 June 2016

- 17 Whilst the overall Welsh Government funding has reduced, councils have been expected to protect schools and social care from the bulk of the pressures. Social care in particular has struggled even with this protection as for example demographic changes have led to increased demand. However, this does mean that other services have borne the majority of the cuts and have seen reductions in budgets of 30% or more in real terms.
- 18 The Council received £185 million in support from Welsh Government in 2016-17. This represents £1,196 per person in the county, below the average for Wales and a real-terms reduction of 10.1%³ per head since 2013-14.

Exhibit 2: Welsh Government support in 2016-17



Source: Stats Wales (www.statswales.gov.wales)

³ The percentage reduction per head figure varies from the 2013-14 core funding reduction due to population variation over the same period.

Savings achievement 2015-16

The Council has reported achievement of 83% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered

What good looks like

- 19 Councils that have a good track record of delivering the majority of planned in-year savings should have well developed savings and delivery plans in place which are underpinned by robust monitoring processes. These councils do not have to continually bridge the gap year on year, by identifying alternative savings, using unplanned one-off funding from earmarked reserves, general reserves, contingency funds or fortuitous unplanned income received during the year.

What we found

- 20 In our 2015-16 review the Council reported that it achieved 87% of its planned savings in 2014-15 in year.
- 21 In our 2016-17 review we found that achievement of planned savings reduced slightly in 2015-16 to 83%. Our findings are detailed below.
- 22 The Council delivered a net underspend of nearly £1.5 million on its 2015-16 budget and reported that it achieved 83% of its planned savings. Despite some service overspends, there was a collective net underspend on service and corporate budgets and the Council's income was higher than expected.
- 23 The Council's planned budget strategy for 2015-16 included the use of £1 million from an earmarked reserve set up to help balance budgets. In year, the Council also used £1.86 million from its Contingency Reserve; it later transferred the £1.5 million year end budget surplus back to the Reserve, resulting in net use of £371,000.
- 24 The £2.2 million savings under achievement was offset by budget underspends. The Council classifies its savings according to type, for example collaboration, income generation, structural review and service efficiency.
- 25 Savings plans are embedded in the base budget and form part of the budget monitoring process. In 2015-16, the Council established Programme Boards to monitor portfolio budgets and savings. Boards meet regularly and provide senior officers and Members with the opportunity to review performance and provide challenge. Regular budget monitoring reports to Cabinet provide an update on forecast savings achievement and detail variances against target.
- 26 The Council has strengthened its approach to budget planning and savings by adopting rolling three-year business plans. These require portfolios to identify savings for a three year period. The Council expects to extend this to cover a five year period, following council elections in May 2017.

Financial planning arrangements

The Council has an effective corporate framework for financial planning and plans to lengthen the term of the MTFs to five years to address the current lack of indicative plans for future years

What good looks like

- 27 The MTFP is a key component of an effective, integrated corporate planning framework. Good medium-term financial planning and annual budgeting should reflect the council's strategic objectives and priorities for the year, and over the longer term. MTFPs typically span a three-to-five year period and should identify how resources will be allocated to both the delivery of services and the council's priorities. The impact on citizens and other stakeholders should also be considered.
- 28 Good MTFPs include consideration of key financial risks together with their mitigation. Councils have to make assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services, and these need to be based on reasonable predictions. The council should also use financial modelling to assess the likely impacts on financial plans and required savings for a range of different scenarios and risks. The MTFP should be frequently reviewed and updated to reflect changes in assumptions and risks.
- 29 Councils should operate within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by Members, and appropriate to the strategic, operational and financial risks it faces. Councils should include details on how reserves will be used over the period of the MTFP.
- 30 The council must demonstrate that it understands its sources of income and the risks arising from these, and that it has reviewed its approach to fees and charges, for its services, to achieve value for money.

What we found

- 31 In our 2015-16 review we found that the Council was strengthening its financial planning arrangements but its approach to setting budgets for 2016-17 was high risk.
- 32 In our 2016-17 review we found that the Council has an effective corporate framework for financial planning. There are good links between its Medium Term Financial Strategy (MTFS) and corporate priorities, and processes are supported by relevant policies. However, the Council continues to take a high risk approach to closing a proportion of its savings gap. Our findings are detailed below.
- 33 There are strong links between the Council's corporate and medium term financial planning processes. The Council's overall vision and eight strategic priorities,

which constitute its improvement objectives, are clearly articulated within its Improvement Plan. These priorities are linked to portfolio business plans and budgets are aligned to support the delivery of the Council's corporate vision, aims and priorities.

- 34 The Council is beginning to make links to new legislation in its corporate planning arrangements. The Council is also working with the local Public Service Board to develop a common approach to the Well-being of Future Generations (Wales) Act 2015.
- 35 The Council's MTFS covers a rolling three-year period. A formal update rolling the Strategy forward is approved by Cabinet each year as part of the budget setting process. Medium term financial planning assumptions are kept under review and regularly updated to take account of changes in key variables and other emerging issues.
- 36 The MTFS forecasts are comprehensive and modelling software is used to apply sensitivity analysis to projected budget shortfalls. The MTFS identifies a budget gap of nearly £21 million for 2017-18 to 2018-19. The Council has identified approximately £10 million of savings for 2017-18, and whilst the Strategy sets out the Council's approach to funding the gap, no specific detail is provided for 2018-19 as this is beyond the current MTFS date range. The Council is currently planning to extend the MTFS to cover a five-year period, which is positive. The Council's funding strategy has three parts: service reform, corporate financial stewardship and working with Welsh Government. The Council considers that its strategy in relation to securing Welsh Government funding is high risk, but the approach is endorsed by Members and the Council considers it is getting some success. The Council does consider alternative methods to meet the shortfall.
- 37 The MTFS is also underpinned by reasonable and appropriate assumptions for key variables such as grant funding, inflation and interest rates. The impact of demographic changes and the national and local economy on demand and expenditure pressures are also assessed.
- 38 The Council's Reserves and Balances Protocol was approved in September 2015 and sets out how the council determines, manages and reviews the level of its Council Fund Balance and Earmarked Reserves. The Council Fund Balance is maintained at a level equivalent to 2% of its annual budget. The balance above this base level makes up the Council's Contingency Reserve, which is used to mitigate against budget overspends. At the end of 2015-16, the Council held £10.1 million in its Council Fund Balance: £5.7 million base level and £4.4 million Contingency Reserve.
- 39 As part of the budget setting process, the Council reviews all reserves and balances and determines whether reserves are required to underpin the base budget. In 2015-16, the Council established a Budget Strategy Reserve to help balance budgets over the medium term. During the year, regular budget monitoring reports to Corporate Resources Overview and Scrutiny Committee (CROSC) and Cabinet summarise the latest position in relation to reserves.

- 40 The Council's MTFs recognises the need to maximise income generation and develop a policy to support this aim. Our previous Financial Resilience report included a proposal for improvement that the Council should complete and implement a comprehensive Income Generation and Charging Policy in time to support the 2017-18 budget. In response to this, the Council appointed an external partner to undertake a review of fees and charges and produce a corporate income policy. This work is due to be completed during autumn 2016 and the Council plans to implement any recommendations that arise by December. As the 2017-18 budget planning process is already underway, the new policy will have limited impact on this cycle of budget planning, but should ensure a more robust and consistent approach to income generation in future years.
- 41 The Council has effective budget monitoring and reporting processes in place. Regular budget monitoring reports are detailed and informative and enable Members to scrutinise and challenge performance against budget.

Savings Plan 2016-17

The Council forecasts that it is will achieve 90% of its 2016-17 revised planned savings but some of its savings proposals are not sufficiently well developed when the budget is approved

What good looks like

- 42 Councils that deliver savings effectively have well-considered savings plans that sit within longer-term savings strategies which are underpinned by well-developed fully costed individual savings and delivery plans aligned with the MTFP. Savings proposals should be specific and risk assessed in terms of likelihood of achievement.

What we found

- 43 In our 2016-17 review we found that the Council expects to achieve 90% of its revised planned savings but some savings proposals were insufficiently developed at the time the budget was set. Our findings are detailed below.
- 44 The Council expects all services other than Schools and Social Services to make savings of at least 30% (approximately £28 million) over the period 2015-2018. These savings have been developed through three-year portfolio business plans. The Council has fully identified and costed savings plans to meet the savings required for 2016-17. The MTFs summarises £10 million of indicative efficiency options for 2017-18 and the 2017-18 budget process, currently underway, will fully identify how the remaining gap will be filled. The Council's latest financial monitoring report forecasts that 90% of its revised savings plans for 2016-17 will be achieved in year.

- 45 The Council routinely classifies its savings proposals by type. The majority are service efficiencies, followed by structural review, service reductions and income generation.
- 46 Savings proposals are effectively risk assessed as part of the budget setting process. For each proposal, the savings plan sets out the risk status for the acceptability and deliverability and the financial robustness of the underlying costings. The majority of savings proposals are well developed and financially robust, which supports the Council's forecast for in year achievement. However analysis of proposals forecast to be underachieved in 2016-17 found that 93% were categorised as not fully costed. By approving savings proposals which are not fully developed, the Council could prejudice its ability to achieve its savings target.
- 47 Equality Impact Assessments are carried out for all savings proposals that impact on citizens or stakeholders. The Council also continues to refine its approach to stakeholder engagement. Its 'This is Your Moment' consultation was used to inform the 2016-17 budget and raise public awareness of the ongoing challenges and options the Council faces.
- 48 The Council's savings plan is both specific and measurable, listing individual savings projects and their value by portfolio. The plan is also supported by portfolio business plans. The Council regularly monitors and reports on achievement of savings proposals. Programme boards monitor each portfolio's progress against savings and budgetary targets and monthly reports to Cabinet and CROSC include an update on delivery of savings plans.
- 49 The three savings proposals for 2016-17 we sampled to test the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale were:
- construction of waste handling facility – £100,000 (Invest to Save);
 - library relocations – £30,000 (Service Reduction); and
 - in-house bailiff service – £60,000 (Income Generation).

In each case we found that options appraisals were underpinned by reasonable assumptions, delivery plans had clear timescales and the proposals were supported by appropriate approval and consultation processes. Due to unforeseen delays to the construction of the waste handling facility, the Council anticipates that only £80,000 of the planned saving will be achieved in 2016-17 but a full year saving will follow in 2017-18.

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Wales Audit Office

Financial Resilience: Savings Planning

March 2017

Executive Response

A Wales Audit Office *Financial Resilience* report has been produced for all 22 Councils. There will also be a national report to follow the one produced for 2015/16. The report for Flintshire comments on the adequacy of internal financial planning, control and governance.

The January 2017 follow-up report concluded that:

“The Council has a sound financial planning framework and it continues to strengthen its financial planning to better support future financial resilience.”

The report is a fair representation of the Council’s arrangements and a response is set out below on the single proposal for improvement made by the Wales Audit Office to *“strengthen financial planning arrangements by ensuring that all savings proposals are sufficiently developed before the start of the financial year in which they are to be implemented.”*

| Issue | Response |
|--|---|
| <p><i>Strengthen financial planning arrangements by ensuring that all savings proposals are sufficiently developed before the start of the financial year in which they are to be implemented.</i></p> | <p>Forecast and plan annualised efficiencies well ahead as part of business planning. The current 3 year business plans end on 31 March 2018 and will be renewed as part of a new 5 year planning cycle.</p> |
| | <p>Approve annualised efficiencies well ahead of the intended implementation date to allow effective planning, transition and risk management. The approval of the 2017/18 Council Fund budget in stages is a model to follow for future years.</p> |
| | <p>Early and robust risk and impact assessments to be conducted on efficiency proposals during their development so that decision-makers are well informed and able to make evidence based decisions. The risk and impact assessment methods currently used are to be refined and improved.</p> |
| | <p>Early consultation with those likely to be affected by planned change – whether public, partner or workforce – to inform the above. Current practice will be built upon.</p> |
| | <p>Effective programme management of the planning, implementation and ongoing management of efficiency plans. The current internal Programme Board management arrangements have been effective and although subject to change for the new Council will be continued in some form.</p> |
| | <p>Alignment of corporate expertise and resources to the change and efficiency plans of the greatest financial value and risk. The Council has aligned its resources carefully over the first two years of the business plans and has learnt from the experience. For future years the needs for capacity and resources will be</p> |

| | |
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| | assessed and reported as part of the new business plans. The Corporate Portfolio business plans will assign change management resources (Human Resources, Finance, ICT and Legal) to the organisational priorities. |
| | Frequent and transparent reporting of the progress of the implementation of approved efficiencies. The monthly reporting arrangement which shows the projected level of financial efficiencies to be achieved against target (within the monthly budget monitor report) will be continued. |



AUDIT COMMITTEE

| | |
|------------------------|---------------------------------------|
| Date of Meeting | Wednesday 15 th March 2017 |
| Report Subject | Treasury Management Update 2016/17 |
| Report Author | Corporate Finance Manager |

EXECUTIVE SUMMARY

The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2016/17 to the end of February 2017.

RECOMMENDATIONS

| | |
|---|--|
| 1 | Members note the Treasury Management 2016/17 quarterly update. |
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REPORT DETAILS

| | |
|-------------|--|
| 1.00 | EXPLAINING THE QUARTERLY UPDATE |
| 1.01 | The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update. |
| 1.02 | On 16 th February 2016 the Council approved the Treasury Management Policy Statement 2016-2019 and Treasury Management Practices 2016-2019, following the recommendation of the Cabinet and consideration by the Audit Committee. |
| 1.03 | On 16 th February 2016 the Council also approved the Treasury Management Strategy 2016/17, following the recommendation of the Cabinet and consideration by the Audit Committee. |

| | |
|------|--|
| 1.04 | A statement setting out the Council's investments as at 28 th February 2017 is attached at Appendix 1 and shows that the investment balance at this time was £11.6m, spread across 6 counterparties with an average investment rate of 0.34%. |
| 1.05 | <p>Further to questions raised by the Committee at its January meeting attached at Appendix 2 is a graph showing the investment position throughout 2016/17 to date. This demonstrates how cash balances fluctuate throughout each month, with the cash balance at the beginning of the month being £15m to £20m higher than at the end of each month.</p> <p>The graph shows a line of best fit to illustrate the overall trend; the cash balance is gradually declining as the Council moves into a position where borrowing will be required as has been reported previously.</p> |
| 1.06 | There have been no changes to the Council's long term borrowing during the quarter. A schedule of outstanding loans as at 28 th February is attached as Appendix 3, with total long-term borrowing remaining at £251.3m with a weighted average interest rate of 5.01%. |
| 1.07 | A short term loan from another local authority was take out on 18 th January. The loan was for £2m, at a rate of 0.25%, and was repaid on 13 th February. This was primarily to test systems and processes ahead of an anticipated increase in short term borrowing activity in the near future. |
| 1.08 | The borrowing strategy for the remainder of this financial year is to continue to test systems and processes by undertaking further short term borrowing. The borrowing requirement is now expected to materialise early in 2017/18, when short term borrowing will be used to confirm the Council's longer term borrowing requirement. |
| 1.09 | <p><u>Debt Rescheduling</u></p> <p>At the meeting of the Audit Committee on 25th January members asked various questions in relation to debt rescheduling and it was agreed that some worked examples would be prepared to aid understanding of this complex area.</p> |
| 1.10 | <p>Debt rescheduling is where existing loans are repaid and funded from either new loans or cash balances. Although in the current economic climate new loans are likely to have significantly lower interest rates than existing loans, the repayment of existing loans will lead to a sizeable 'premium' being payable and any potential savings from reduced interest costs need to be considered against the cost of the premium.</p> <p>In addition, other factors also need to be considered when assessing debt rescheduling opportunities such as the potential loss of investment income, the additional costs of borrowing to fund the premium, and sensitivity to future movements in interest rates.</p> |
| 1.11 | As agreed at the January meeting a reflective sample of the council's PWLB loans were reviewed. In each case a substantial premium would be payable; in one case the premium was more than the loan principal itself. Two scenarios were considered, firstly where the loan and the premium were replaced with new PWLB borrowing, and secondly where the loan and |

premium were funded from cash balances (which in the Councils current position would mean additional short term borrowing would need to be undertaken.)

To help illustrate this a detailed worked example for one loan has been included in the following paragraphs.

1.12

| Example – Loan Details | |
|-------------------------------|------------|
| Debt Principal | £3,700,000 |
| Interest Rate | 4.5% |
| Annual Interest | £166,500 |
| Maturity | March 2052 |
| Remaining Life | 36 years |
| Premium payable | £2,525,718 |
| Total Repayment | £6,225,718 |

1.13

The following table shows the impact of rescheduling the loan, assuming repayment is funded by new PWLB loans. A number of assumptions are made, particularly around interest rates, and the figures presented are 'present value' figures, reflecting the decreasing value of money over time. A positive figure is a cost, and a negative figure represents a saving.

| Scenario 1 – Funding debt repayment with new PWLB loans | |
|---|---------|
| | £ |
| 5 year cost | 43,403 |
| 10 year cost | 74,771 |
| 25 year cost | 83,858 |
| Total Life saving | -60,600 |
| Sensitivity to Investment Rates – 10 year present value: | |
| +1% | 249,704 |
| -0.25% | -30,976 |

The figures show that replacing PWLB debt with new PWLB loans is not worthwhile. By years 5, 10 and 25 the cost of the premium outweighs any savings. There is a saving over the life of the loan, but the present value of the amount at £60,600 is negligible.

As uncertainty increases the further we look into the future, it is more prudent to consider the impact of rescheduling over the short to medium term. The sensitivity analysis shows that if interest rates rise, even by a small amount, the costs increase. The example above shows how a 1%

| | <p>increase in interest rates turns a 10 year cost of £74,771 into a much higher cost of £249,704.</p> <p>All loans in the sample showed an overall cost, as opposed to a saving, when looking at a five year time frame.</p> | | | | | | | | | | | | | | | | | | |
|---|--|---|-------|-------|-----------------|---------------|---------|--------------------------------|---------|----------------|---------------------------------|-------------------|----------|---|----|-----|--------------------|--------|----------|
| 1.14 | <p>The following table shows the same loan, repaid from cash balances</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th colspan="2">Scenario 2 – Funding debt repayment from cash balances</th> </tr> <tr> <th></th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>5 year saving</td> <td style="text-align: right;">-78,317</td> </tr> <tr> <td>10 year saving</td> <td style="text-align: right;">-45,240</td> </tr> <tr> <td>25 year saving</td> <td style="text-align: right;">-36,108</td> </tr> <tr> <td>Total Life saving</td> <td style="text-align: right;">-180,550</td> </tr> <tr> <th colspan="2">Sensitivity to Investment Rates – 10 year present value:</th> </tr> <tr> <td>+1%</td> <td style="text-align: right;">402,928</td> </tr> <tr> <td>-0.25%</td> <td style="text-align: right;">-151,824</td> </tr> </tbody> </table> <p>The figures show that some savings are available should the Council fund the loan repayment from cash balances, which would mean the Council would need to undertake more short term borrowing than currently planned. However, the sensitivity analysis shows that if interest rates rise, even by a small amount, any saving would quickly turn into a cost in future years. The example above shows how a 1% increase in interest rates turns a 10 year present value saving of £45,240 into a loss of £402,928. Due to the risk involved and the relatively small amount of savings the benefits of rescheduling is questionable.</p> | Scenario 2 – Funding debt repayment from cash balances | | | £ | 5 year saving | -78,317 | 10 year saving | -45,240 | 25 year saving | -36,108 | Total Life saving | -180,550 | Sensitivity to Investment Rates – 10 year present value: | | +1% | 402,928 | -0.25% | -151,824 |
| Scenario 2 – Funding debt repayment from cash balances | | | | | | | | | | | | | | | | | | | |
| | £ | | | | | | | | | | | | | | | | | | |
| 5 year saving | -78,317 | | | | | | | | | | | | | | | | | | |
| 10 year saving | -45,240 | | | | | | | | | | | | | | | | | | |
| 25 year saving | -36,108 | | | | | | | | | | | | | | | | | | |
| Total Life saving | -180,550 | | | | | | | | | | | | | | | | | | |
| Sensitivity to Investment Rates – 10 year present value: | | | | | | | | | | | | | | | | | | | |
| +1% | 402,928 | | | | | | | | | | | | | | | | | | |
| -0.25% | -151,824 | | | | | | | | | | | | | | | | | | |
| 1.15 | <p>A further consideration when reviewing debt rescheduling is the Council's exposure to refinancing risk. The risk being that a large proportion of loans mature at the same time. The aim is to have a portfolio of loans which are evenly spread over short, medium and long term periods. An indicator is included within the Council's Treasury Management Strategy for 'maturity structure of borrowing', which is presented below for information:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th style="text-align: center;">Lower</th> <th style="text-align: center;">Upper</th> </tr> </thead> <tbody> <tr> <td>Under 12 months</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">10%</td> </tr> <tr> <td>12 months and within 24 months</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">10%</td> </tr> <tr> <td>24 months and within five years</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">30%</td> </tr> <tr> <td>Five years and within 10 years</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">50%</td> </tr> <tr> <td>10 years and above</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table> <p>10% of the current debt balance equates to £25m.</p> | | Lower | Upper | Under 12 months | 0% | 10% | 12 months and within 24 months | 0% | 10% | 24 months and within five years | 0% | 30% | Five years and within 10 years | 0% | 50% | 10 years and above | 0% | 100% |
| | Lower | Upper | | | | | | | | | | | | | | | | | |
| Under 12 months | 0% | 10% | | | | | | | | | | | | | | | | | |
| 12 months and within 24 months | 0% | 10% | | | | | | | | | | | | | | | | | |
| 24 months and within five years | 0% | 30% | | | | | | | | | | | | | | | | | |
| Five years and within 10 years | 0% | 50% | | | | | | | | | | | | | | | | | |
| 10 years and above | 0% | 100% | | | | | | | | | | | | | | | | | |
| 1.16 | <p>The Council's primary objective when borrowing money is to strike an</p> | | | | | | | | | | | | | | | | | | |

| | |
|------|--|
| | <p>appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which the funds are required.</p> <p>The Council has been forecasting a borrowing requirement for some time, the borrowing strategy throughout 2016/17 and into 2017/18 has been to monitor capital expenditure plans to confirm the Council's long term borrowing need. This is to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. The use of short-term borrowing will assist with such.</p> <p>Some short term borrowing will be undertaken over the coming months to take advantage of the lower rates currently available. This must be balanced against exposing the Council to an unacceptable level of risk. This can be achieved by funding the forthcoming borrowing requirement in full or in part by short term borrowing, rather than refinancing existing loans and incurring the significant premium cost. Taking out further short term debt to replace existing loans on top of this would lead to an unacceptably high level of risk and a breach of the maturity structure indicator.</p> <p>It is therefore not considered prudent to reschedule any PWLB debt at this time however this situation will be kept under continual review.</p> |
| 1.17 | <p><u>Economic update</u> The outlook for the UK economy is dominated by the negotiations to leave the EU.</p> |
| 1.18 | <p>The global environment remains uncertain, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffections with globalisation trends.</p> |
| 1.19 | <p>Political uncertainty, specifically the French presidential election, is currently weighing on European risk appetite, despite signs of stronger global growth following significant global fiscal and monetary stimulus.</p> |
| 1.20 | <p>The short term outlook for the global economy is brighter than early 2016, although the potential rise in protectionism could dampen growth prospects in the medium term.</p> |
| 1.21 | <p>As expected, there are signs that the rise in the UK inflation rate is beginning to dampen economic growth. Household consumption growth, the recent driver of UK GDP growth, has softened, and with employment plateauing and real wage growth declining, a recovery back to the strong growth rates seen in early 2016 is unlikely.</p> |
| 1.22 | <p>Meanwhile, economic and political uncertainty continue to depress UK business investment. A recovery appears unlikely given post-EU Referendum uncertainty.</p> |
| 1.23 | <p>Given the pressure on household spending and business investment, the rise in inflation is unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.</p> |

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| 1.24 | Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods, particularly if this feeds through into wage growth. Given this view and the current inflation outlook, further monetary loosening through a further cut in interest rates or additional Quantitative Easing looks less likely. |
| 1.25 | <u>Interest Rate Forecast</u> The Arlingclose projection is for Bank Rate to remain at 0.25%, but there is a low possibility of a drop to close to zero. Gilt yields have fallen as expected, any borrowing that the Council undertakes is linked to gilt yields. The Arlingclose projection is for yields to decline or remain stable during 2017. |

| | |
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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | Financial implications set out in the report; no other resource implications directly as a result of this report. |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | Arlingclose Ltd, being the Council's treasury management advisors. |

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| 4.00 | RISK MANAGEMENT |
| 4.01 | Risk Management directly addressed within the report. |

| | |
|-------------|---|
| 5.00 | APPENDICES |
| 5.01 | <ol style="list-style-type: none"> 1. Investment Portfolio as at 28th February 2017 2. Graph of 2016/17 Investment balances during 2016/17 3. Borrowing Portfolio as at 28th February 2017 |

| | |
|-------------|---|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk |

Bank Rate: The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".

Basis Point: A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.

Bond: A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.

Capital Expenditure: Expenditure on the acquisition, creation or enhancement of capital assets.

Capital Financing Requirement (CFR): The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.

Credit Default Swaps: Similar to an insurance policy against a credit default.

Certificates of Deposits (CD's): A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD generally ranges from one month to five years.

Cost of Carry: The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.

Consumer Price Index (CPI): The UK's main measure of inflation (along with Retail Price Index or 'RPI') The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try and keep CPI at or close to the target set by the Government. The calculation of CPI includes many items of normal household expenditure but excludes some items such as mortgage interest payments and Council Tax.

Credit Rating: Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Corporate Bonds: Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

Counterparty List: List of approved financial institutions with which the

Council can place investments.

Debt Management Office (DMO): The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

Federal Reserve: The US central bank, the equivalent of the Bank of England. (Often referred to as "the Fed").

Financial Instruments: Financial instruments are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument

Gilts: Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged'. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

LIBID: The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

LIBOR: The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

LOBO: Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

IFRS: International Financial Reporting Standards.

Maturity: The date when an investment or borrowing is repaid.

Maturity Structure / Profile: A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.

Monetary Policy Committee (MPC): Government Body that sets the Bank Rate. Its primary target is to keep inflation within 1% of a central target of 2%. Its secondary target is to support the Government in maintaining high and stable levels of growth and employment.

Money Market Funds (MMF): Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Minimum Revenue Provision (MRP): An annual provision that the Council

is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Non Specified Investment: Investments which fall outside the WG Guidance for Specified investments (below).

Operational Boundary: This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Premiums and Discounts: In the context of local authority borrowing,
(a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and
(b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

Prudential Code: Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators: Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators

Public Works Loans Board (PWLB): The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Quantitative Easing (QE): QE is a form of monetary policy where a Central Bank creates new money electronically to buy financial assets, like government bonds. This cash injection lowers the cost of borrowing and boosts asset prices to support spending.

Revenue Expenditure: Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

Retail Price Index (RPI): A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent.

Term Deposits: Deposits of cash with terms attached relating to maturity and rate of return (Interest).

Specified Investments: Term used in the Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high

liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

Supported Borrowing: Borrowing for which the costs are supported by the government or third party.

Supranational Bonds: Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

Treasury Bills (T-Bills): Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.

Treasury Management Code: CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

Treasury Management Practices (TMP): Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

Temporary Borrowing: Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

Unsupported Borrowing: Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

Yield: The measure of the return on an investment instrument.

FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO

28th FEBRUARY 2017

APPENDIX 1

Page 123

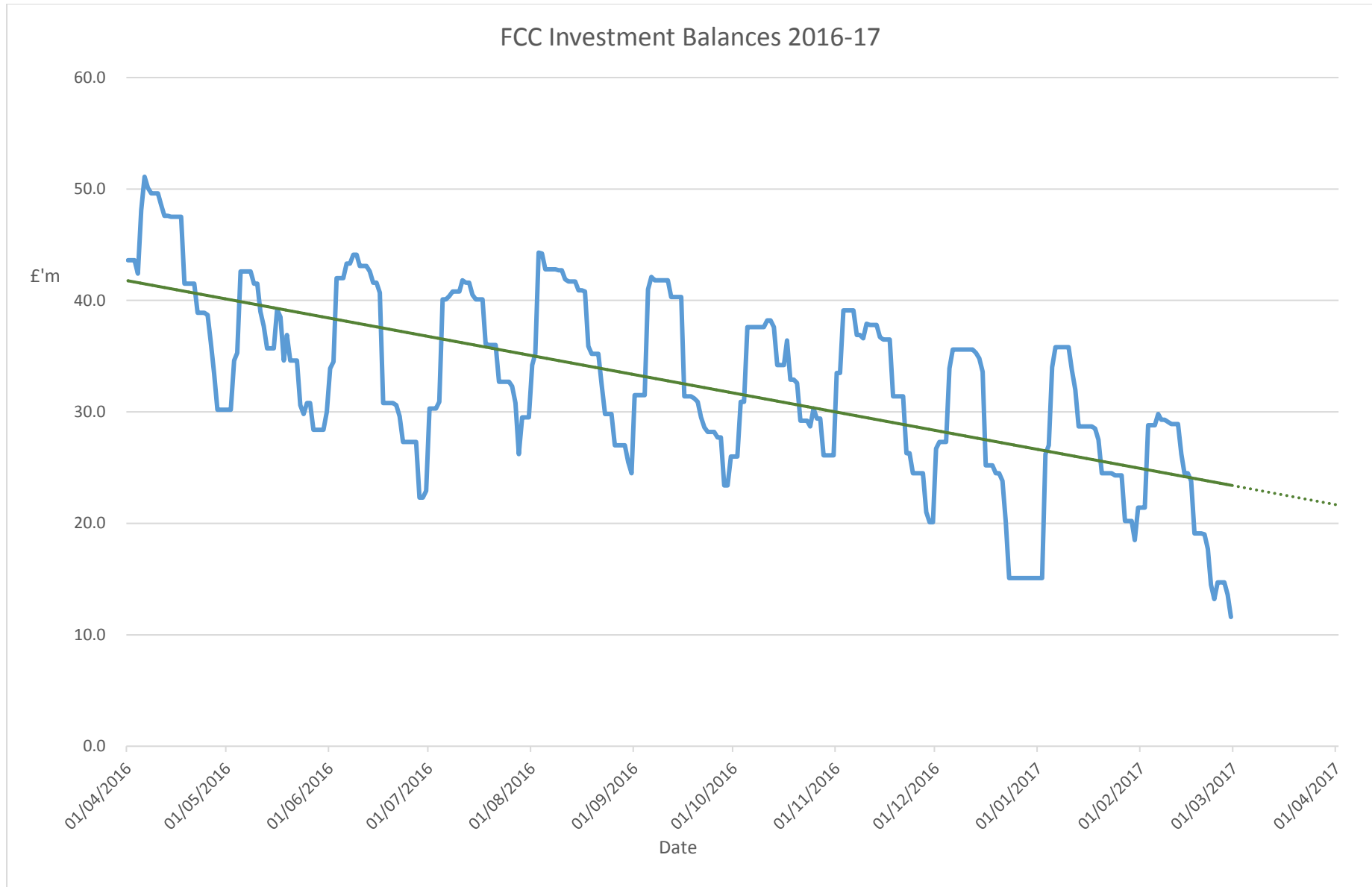
| Counterparty Name | Amount Invested £m | Start Date | Maturity Date | Interest Rate | Investment Interest £ | Type of Investment | Period to Maturity |
|---|-----------------------|------------|---------------|---------------|--------------------------|--------------------|--------------------|
| BNP PARIBAS SECURITIES SVCS | 3.4 | 04/01/16 | 31/03/17 | 0.32% | 13,473 | MMF | 1 month or less |
| BNP PARIBAS SECURITIES SVCS | 3.4 | | | | | | |
| COVENTRY BUILDING SOCIETY | 1.0 | 05/12/16 | 31/03/17 | 0.30% | 953 | UK BS | 1 month or less |
| COVENTRY BUILDING SOCIETY | 1.0 | | | | | | |
| FURNESS BUILDING SOCIETY | 1.0 | 07/09/16 | 07/03/17 | 0.45% | 2,232 | UK BS | 1 month or less |
| FURNESS BUILDING SOCIETY | 1.0 | | | | | | |
| INSIGHT LIQUIDITY FUNDS LLP | 0.9 | 05/12/16 | 31/03/17 | 0.26% | 744 | MMF | 1 month or less |
| INSIGHT LIQUIDITY FUNDS LLP | 0.9 | | | | | | |
| STANDARD LIFE INVESTMENT LIQUIDITY FUND | 3.3 | 01/04/15 | 31/03/17 | 0.29% | 19,140 | MMF | 1 month or less |
| STANDARD LIFE INVESTMENT LIQUIDITY FUND | 3.3 | | | | | | |
| THURROCK BOROUGH COUNCIL | 2.0 | 01/11/16 | 31/03/17 | 0.48% | 3,945 | Local Auth | 1 month or less |
| THURROCK BOROUGH COUNCIL | 2.0 | | | | | | |
| TOTAL | 11.6 | | | 0.34% | 40,487 | | |
| PREVIOUS REPORTS TOTALS (30th DECEMBER 2016) | 15.1 | | | 0.33% | | | |

FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY

28th February 2017

APPENDIX 1

| Type of Investment | Total Amount Invested £m | % of Total Portfolio | Period to Investment Maturity | | | |
|------------------------------|-----------------------------|----------------------|-------------------------------|--------------------|------------------|-------------------|
| | | | 1 month or less £m | 1 - 3 months £m | 3 months + £m | 12 months + £m |
| Debt Management Office (DMO) | 0.0 | 0% | | | | |
| UK Bank | 0.0 | 0% | | | | |
| UK Building Society (UK BS) | 2.0 | 17% | 2 | | | |
| Overseas | 0.0 | 0% | | | | |
| Local Authorities | 2.0 | 17% | 2 | | | |
| CD's | 0.0 | 0% | | | | |
| T-Bills | 0.0 | 0% | | | | |
| Money Market Funds (MMF) | 7.6 | 66% | 7.6 | | | |
| Total (£) | 11.6 | | 11.6 | 0.0 | 0.0 | 0.0 |
| Total (%) | | 100% | 100% | 0% | 0% | 0% |



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FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

28th FEB 2017

APPENDIX 3

| Loan Start Date | Principal Loan Outstanding £ | Interest Rate % | Annual Interest £ | Loan Maturity Date |
|------------------------|---|----------------------------|------------------------------|---------------------------|
|------------------------|---|----------------------------|------------------------------|---------------------------|

| PWLB Fixed Rate Maturity Loans | | | | |
|---------------------------------------|-----------|------|---------|----------|
| 20/03/86 | 2,436,316 | 9.50 | 231,450 | 30/11/25 |
| 01/04/86 | 1,392,181 | 9.13 | 127,036 | 30/11/23 |
| 01/04/86 | 1,218,158 | 9.13 | 111,157 | 30/11/21 |
| 24/03/88 | 696,090 | 9.13 | 63,518 | 30/11/27 |
| 25/08/88 | 696,090 | 9.50 | 66,129 | 31/03/28 |
| 26/10/88 | 870,113 | 9.25 | 80,485 | 30/09/23 |
| 26/05/89 | 1,044,135 | 9.50 | 99,193 | 31/03/25 |
| 26/05/89 | 1,044,135 | 9.50 | 99,193 | 31/03/29 |
| 28/09/95 | 561,642 | 8.25 | 46,335 | 30/09/32 |
| 28/09/95 | 181,120 | 8.63 | 15,622 | 30/09/32 |
| 28/09/95 | 348,045 | 8.25 | 28,714 | 30/09/27 |
| 28/09/95 | 696,090 | 8.25 | 57,427 | 30/09/28 |
| 28/09/95 | 1,740,226 | 8.25 | 143,569 | 30/09/29 |
| 28/09/95 | 1,740,226 | 8.25 | 143,569 | 30/09/30 |
| 28/09/95 | 1,740,226 | 8.25 | 143,569 | 30/09/31 |
| 28/09/95 | 522,068 | 8.25 | 43,071 | 30/09/21 |
| 28/09/95 | 696,090 | 8.25 | 57,427 | 30/09/24 |
| 28/09/95 | 1,740,226 | 8.25 | 143,569 | 30/09/26 |
| 28/09/95 | 1,000,282 | 8.63 | 86,274 | 30/09/22 |
| 18/04/97 | 2,000,000 | 7.75 | 155,000 | 18/10/27 |
| 18/04/97 | 2,000,000 | 7.75 | 155,000 | 18/10/28 |
| 18/04/97 | 2,000,000 | 7.75 | 155,000 | 18/10/29 |
| 18/04/97 | 2,000,000 | 7.75 | 155,000 | 18/10/30 |
| 22/05/97 | 1,600,000 | 7.38 | 118,000 | 22/11/17 |
| * 17/07/97 | 4,000,000 | 7.13 | 285,000 | 31/03/55 |
| * 17/07/97 | 4,000,000 | 7.13 | 285,000 | 31/03/56 |
| * 17/07/97 | 4,492,873 | 7.13 | 320,117 | 31/03/57 |
| * 17/07/97 | 3,500,000 | 7.00 | 245,000 | 31/03/55 |
| * 17/07/97 | 3,500,000 | 7.00 | 245,000 | 31/03/56 |
| * 17/07/97 | 3,278,252 | 7.00 | 229,478 | 31/03/57 |
| * 20/05/98 | 1,333,332 | 5.75 | 76,667 | 18/04/31 |
| 20/05/98 | 1,050,000 | 6.00 | 63,000 | 18/04/26 |
| 09/06/98 | 2,000,000 | 5.75 | 115,000 | 30/09/32 |
| 09/06/98 | 3,000,000 | 5.75 | 172,500 | 30/09/33 |
| 09/06/98 | 4,000,000 | 5.75 | 230,000 | 30/09/34 |
| 17/09/98 | 3,850,000 | 5.25 | 202,125 | 31/03/58 |
| 08/12/98 | 1,200,000 | 4.75 | 57,000 | 31/03/54 |
| 08/12/98 | 2,500,000 | 4.75 | 118,750 | 31/03/58 |
| 08/12/98 | 4,800,000 | 4.50 | 216,000 | 31/03/54 |
| 01/04/99 | 6,000,000 | 4.63 | 277,500 | 31/03/53 |
| 22/04/99 | 4,000,000 | 4.50 | 180,000 | 31/03/52 |
| * 10/08/99 | 1,700,000 | 4.50 | 76,500 | 31/03/53 |
| * 10/08/99 | 3,700,000 | 4.50 | 166,500 | 31/03/52 |
| * 10/08/99 | 7,700,000 | 4.50 | 346,500 | 31/03/51 |
| * 10/08/99 | 7,700,000 | 4.50 | 346,500 | 31/03/50 |
| * 10/08/99 | 7,700,000 | 4.50 | 346,500 | 31/03/49 |
| * 10/08/99 | 7,700,000 | 4.50 | 346,500 | 31/03/48 |
| 05/04/01 | 2,500,000 | 4.75 | 118,750 | 31/03/25 |
| 15/11/01 | 1,400,000 | 4.50 | 63,000 | 31/03/23 |

| | | | | | |
|---|--------------|--------------------|-------------|-------------------|----------|
| | 15/11/01 | 1,350,000 | 4.50 | 60,750 | 31/03/22 |
| * | 02/08/05 | 1,700,000 | 4.45 | 75,650 | 18/04/31 |
| * | 02/08/05 | 4,900,000 | 4.45 | 218,050 | 18/04/32 |
| * | 02/08/05 | 4,600,000 | 4.45 | 204,700 | 18/04/33 |
| * | 02/08/05 | 1,800,000 | 4.45 | 80,100 | 18/04/34 |
| * | 02/08/05 | 2,244,611 | 4.45 | 99,885 | 18/04/35 |
| | 02/04/15 | 10,800,000 | 4.11 | 443,880 | 02/10/34 |
| | 02/04/15 | 9,000,000 | 4.13 | 371,700 | 02/04/35 |
| | 02/04/15 | 9,000,000 | 4.14 | 372,600 | 02/10/35 |
| | 02/04/15 | 9,000,000 | 4.16 | 374,400 | 02/04/36 |
| | 02/04/15 | 8,000,000 | 4.17 | 333,600 | 02/10/36 |
| | 02/04/15 | 7,000,000 | 4.18 | 292,600 | 02/04/37 |
| | 02/04/15 | 7,000,000 | 4.19 | 293,300 | 02/10/37 |
| | 02/04/15 | 7,000,000 | 4.20 | 294,000 | 02/04/38 |
| | 02/04/15 | 7,000,000 | 4.21 | 294,700 | 02/10/38 |
| | 02/04/15 | 5,448,094 | 4.22 | 229,910 | 02/04/39 |
| | Total | 222,410,621 | 5.26 | 11,694,018 | |

| Market Fixed Rate Loans (LOBOS) | | | | | |
|--|--------------|-------------------|-------------|----------------|----------|
| * | 24/07/07 | 6,350,000 | 4.48 | 284,480 | 24/01/40 |
| * | 24/07/07 | 6,300,000 | 4.53 | 285,075 | 24/01/41 |
| * | 24/07/07 | 6,300,000 | 4.58 | 288,540 | 24/01/42 |
| | Total | 18,950,000 | 4.53 | 858,095 | |

| PWLB Variable Rate Maturity Loans | | | | | |
|--|----------|-------------------|-------------|---------------|----------|
| * | 05/05/10 | 10,000,000 | 0.43 | 43,000 | 05/05/20 |
| | | 10,000,000 | 0.43 | 43,000 | |

| Totals | | | | | |
|---------------|----------------------|--------------------|-------------|-------------------|--|
| | Fixed Rate | 241,360,621 | | 12,552,113 | |
| | Variable Rate | 10,000,000 | | 43,000 | |
| | Grand Total | 251,360,621 | 5.01 | 12,595,113 | |

- * New loan due to debt restructuring
- HRAS Buyout Loans



AUDIT COMMITTEE

| | |
|------------------------|--------------------------------|
| Date of Meeting | Wednesday, 15 March 2017 |
| Report Subject | Internal Audit Progress Report |
| Cabinet Member | Not Applicable |
| Report Author | Interim Internal Audit Manager |
| Type of Report | Assurance |

EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the committee to fulfil the Terms of Reference with regards to Internal Audit.

The current report is attached.

RECOMMENDATIONS

| | |
|---|------------------------------------|
| 1 | To consider and accept the report. |
|---|------------------------------------|

REPORT DETAILS

| | |
|-------------|---|
| 1.00 | EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT |
| 1.01 | 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. |
| 1.02 | All reports finalised since the last committee meeting are shown in Appendix A. The level of audit assurance for standard audit reviews is detailed within Appendix B. No reports have been issued during this quarter with a red / limited assurance opinion. Copies of all final reports are available for members if they wish to see them. |

| | |
|------|--|
| 1.03 | <p>The automatic tracking of actions continues using the integrated audit software. All actions are tracked automatically and the system allows Managers and Chief Officers to monitor their own teams' outstanding actions and confirm they are being implemented.</p> <p>E-mail alerts are generated by the system and sent to the responsible officer and their manager before the action is due. E-mails are also sent to them and copied to Chief Officers if actions are not completed on time. Monthly reports are also sent to Chief Officers informing them of outstanding actions for their teams.</p> <p>The system was rolled out from the 4th January 2016, including requiring all managers and Chief Officers to register. It included all actions from reports issued since April 2015, along with outstanding actions previously tracked. As such there was a large backlog of actions which have been completed and closed on the system.</p> <p>Appendix C shows the current situation. Of 475 actions entered into the system 347 have been cleared. Of the remaining live 128 actions, 7 are currently overdue. Appendix D provides the reasons for overdue actions, along with a note on how the risk is being managed before the action is complete.</p> <p>In accordance with the wishes of the Committee in September, Appendix E lists all actions with a revised due date of six months from the original due date is listed. For each revised due date entered onto the system, the officer is required to provide a reason to support this change.</p> |
| 1.04 | <p>Appendix F shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.</p> |
| 1.05 | <p>Appendix G shows the range of performance indicators for the department. Within the last three quarters there has been an improvement in the number of audits completed within budget and for the few targets that did not improve they were green.</p> <p>There has been a decline in the time taken for departments to return draft reports however this is more a reflection of the detailed work undertaken and greater stakeholder involvement and shouldn't be seen negatively.</p> <p>Since last audit Committee there has been an increased in the number of Client Questionnaires returned and this is reflected in the stats. This will continue to be monitored.</p> <p>A review of the targets will be carried out in preparation for the new financial year to ensure targets are realistic.</p> |
| 1.06 | <p>Appendix H shows the current position with regards to the 2016/17 plan.</p> |
| 1.07 | <p>Progress continues to be made with the plan and since the last committee meeting.</p> |

| | |
|-------------|---|
| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | None as a direct result of this report. |
| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | None required. |
| 4.00 | RISK MANAGEMENT |
| 4.01 | The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks. |
| 5.00 | APPENDICES |
| 5.01 | <p>Appendix A – Final Reports Issued Since September 2016</p> <p>Appendix B – Levels of Audit Assurance</p> <p>Appendix C – Action Tracking – Portfolio Statistics</p> <p>Appendix D – Actions Beyond Due Date</p> <p>Appendix E – Actions with Revised Due Date Six Months Beyond Original Due Date</p> <p>Appendix F – Investigation Update</p> <p>Appendix G – Performance Indicators</p> <p>Appendix H – Operational Plan 2016/17</p> |
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>None.</p> <p>Contact Officer: Lisa Brownbill, Interim Internal Audit Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: Lisa.brownbill@flintshire.gov.uk</p> |
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Wales Chief Auditors Group: An informal meeting group of Chief Auditors to discuss items of mutual interest.</p> <p>Operational Plan: the annual plan of work for the Internal Audit team.</p> |

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Flintshire Internal Audit

Progress Report



March 2017

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| Internal Audit Operational Plan 16/17..... | Appendix H |

Appendix A

Final Reports Issued since September 2016

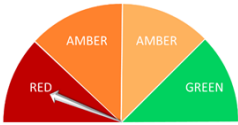
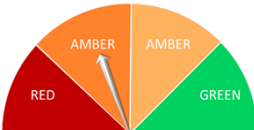
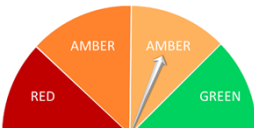
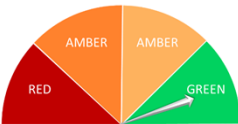
The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received **Red** assurance a summary of the findings and the Action Plan is attached.

| Project Reference | Project Description | Audit Type | Level of Assurance | Actions | | |
|-------------------|------------------------------------|-------------|--------------------|---------|-----|-----|
| | | | | High | Med | Low |
| 49-2015/165 | Leisure Services | System | AG | 0 | 2 | 5 |
| 22-2016/17 | Main Accounting – General Ledger | Key Control | AG | 0 | 0 | 3 |
| 20-2016/17 | Budgetary Control (Schools) | System | AG | 0 | 1 | 2 |
| 19-2015/16 | 21 st Centenary Schools | Risk | G | 0 | 0 | 0 |
| 18/2016/17 | Highways Infrastructure Assets | Advisory | N/A | - | - | - |

Levels of Assurance – Standard Audit Reports

Appendix B

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 will be reported to the Audit Committee.

| Level of Assurance | Explanation |
|--|---|
| <p>Red – Limited</p>  | <p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • 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. <p>Conclusion: a lack of adequate or effective controls.</p> <p>Follow Up Audit - <30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p> |
| <p>Amber Red – Some</p>  | <p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • 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. <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p>Follow Up Audits - 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p> |
| <p>Amber Green – Reasonable</p>  | <p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • 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 <p>Conclusion: key controls generally operating effectively.</p> <p>Follow Up Audit: 51-75% of actions have been implemented. All high priority actions have been implemented.</p> |
| <p>Green – Substantial</p>  | <p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • 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 <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p> <p>Follow Up Audit: 75%+ of actions have been implemented. All high priority actions have been implemented.</p> |

| | |
|---|---|
| <p>Categorisation of Actions</p> | <p>Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses</p> |
| <p>Value for Money</p> | <p>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.</p> |

Action Tracking – Portfolio Performance Statistics

Appendix C

| Portfolio | February 2016 Stats | | | Live Actions - As at February 2016 | | |
|------------------------------|--|---|------------------------------|------------------------------------|---|---------------------------------|
| | Number of Actions Raised Since January 2016 | Actions Implemented since 04.01.2016 (including Actions No Longer Valid) | % of Actions Cleared To Date | Live Actions | Actions Beyond Due Date (excludes Actions with a revised due date) | Actions with a Revised Due Date |
| Corporate | 33 | 28 | 73% | 5 | 0 | 5 |
| Community & Enterprise | 61 | 49 | | 12 | 0 | 3 |
| Education & Youth | 29 | 29 | | 0 | 0 | 0 |
| Governance | 68 | 54 | | 14 | 0 | 9 |
| Organisational Change 1 | 22 | 4 | | 18 | 0 | 2 |
| Organisational Change 2 | 35 | 30 | | 5 | 0 | 3 |
| People & Resources | 81 | 71 | | 10 | 1 | 4 |
| Planning & Environment | 14 | 2 | | 12 | 0 | 8 |
| Social Services | 56 | 39 | | 17 | 0 | 12 |
| Streetscene & Transportation | 56 | 27 | | 29 | 0 | 2 |
| Individual Schools | 20 | 14 | | 6 | 6 | 0 |
| Total | 475 | 347 | | 128 | 7 | 48 |

Internal Audit Actions Beyond Due Dates

Appendix D

| Portfolio | Audit and Action | RAG | Original and Revised Due Dates | Age of Action from Original Due Date (Months) | Responsible Officer | Current Position | How Risk is Being Managed |
|---------------------------|--|-----|--------------------------------|---|---------------------|---|---|
| Connah's Quay High School | <p>Risk Thematic Review – 15/16: The overtime monies paid to employee 596306353 on SCP 32 should be clawed back in compliance with the Authority's Overpayments Policy to the point where Single Status came into affect. All School claims forms should be in line with the requirements of Single Status There should be greater liaison between the School and HR Employee Services with regards to Single Status compliance issues.</p> <p>URN 1447</p> | M | 30/11/2016 | 2 | Ann Peers | <p>Payroll process P008 amended to reference Single Status policy details re:SCP28.</p> <p>Awaiting information from payroll regarding any overtime payments.</p> | Regular contact with County HR. A formal meeting regarding HR and payroll held in Summer 2016 |
| Connah's Quay High School | <p>Risk Thematic Review – 15/16: A contract extension with Judicium should be entered into but only for a period of</p> | M | 30/11/2016 | 2 | Ann Peers | <p>Agreed with Governors that the school will return to County payroll. 6 month notice to</p> | <p>Advice has been sought from County Procurement – (school has contact details of lead</p> |

| Portfolio | Audit and Action | RAG | Original and Revised Due Dates | Age of Action from Original Due Date (Months) | Responsible Officer | Current Position | How Risk is Being Managed |
|---------------------------|---|-----|-------------------------------------|---|---------------------|---|--|
| | <p>time sufficient to allow for the payroll contract to be retendered.</p> <p>When the retendering exercise has been completed full details of the signed and dated contract including start and end dates, termination clauses etc. should be held on file at the school.</p> <p>If such a situation arises again i.e. a contractor goes into administration then an exemption from the Contract Procedures Rules should be sought by the School.</p> <p>The Corporate Procurement Section can be consulted to provide guidance in all aspects of the procurement process.</p> <p>URN 1449</p> | | | | | Judicium to be served January 2017. Re-procurement not required. | officer) |
| Connah's Quay High School | <p>Risk Thematic Review – 15/16: Business Manager to manager to arrange for a contract extension of the GAIA contract for sufficient period of time for</p> | M | <p>31/10/2016</p> <p>30/11/2016</p> | 3 | Ann Peers | A support only contract for 12 months is in place with GAIA with a view to going to | Reviewed alongside the new build and requirements. |

| Portfolio | Audit and Action | RAG | Original and Revised Due Dates | Age of Action from Original Due Date (Months) | Responsible Officer | Current Position | How Risk is Being Managed |
|---------------------------|---|-----|--------------------------------|---|---------------------|---|---|
| | a full procurement to take place URN 1451 | | | | | tender in the Spring term. This is linked with the new capital scheme for a new build at the school – requirements for support for this will be known in the new year and can be included in the tender. | |
| Connah's Quay High School | Risk Thematic Review – 15/16: The School should possess a copy of the School Fund Regulations 2013 The Business Manager should involve another officer when reconciling the School Fund to the bank statements. This reconciliation should be evidenced by both the officers completing the check. The Governing Body should consider fidelity guarantee insurance in respect of the | L | 30/11/2016 | 2 | Ann Peers | School is now in possession of a copy of the School Fund Regulations 2013. Process PS004 has been amended to include the Finance Office checking and signing the reconciliation. Additional insurance to be tabled at the next Governors meeting (Feb 2017) | The school does not have a PTS fund. The School Fund is used for monies raised directly for the school or supported charities. These are listed on the finance system in different accounts and referenced on paying slips. |

| Portfolio | Audit and Action | RAG | Original and Revised Due Dates | Age of Action from Original Due Date (Months) | Responsible Officer | Current Position | How Risk is Being Managed |
|---------------------------|---|-----|--------------------------------|---|---------------------|--|--|
| | school fund URN 1437 | | | | | | |
| Connah's Quay High School | Risk Thematic Review – 15/16: Training needs to be provided on the Wales Accord on the Sharing of Personal Information and Data Protection. URN 1439 | L | 30/11/2016 | 2 | Ann Peers | The Headteacher, senior managers and Data Manager are aware of WASPI and the school's local procedures. No formal training has taken place | Data sharing policy in place and forms. |
| Connah's Quay High School | Risk Thematic Review – 15/16: Office 365 encryption is being investigated by the School ICT technician. A payroll report will be sent to the Head teacher by the Business Manager on a quarterly basis to check for unauthorised additions/omissions. URN 1448 | L | 31/10/2016 30/11/2016 | 3 | Ann Peers | School ICT officer and ICT contractor looking at how best to implement encryption on e-mails (school wide | Spreadsheets continue to be password protected. Receipt of sent attachments confirmed by e-mail. |
| People & Resources | Detail codes for agency workers should not be used to account | M | 31/10/2016 | 4 | Gary Ferguson | In progress. Finance and Procurement | All agency expenditure is |

| Portfolio | Audit and Action | RAG | Original and Revised Due Dates | Age of Action from Original Due Date (Months) | Responsible Officer | Current Position | How Risk is Being Managed |
|-----------|---|-----|--------------------------------|---|---------------------|--|---|
| | <p>for expenditure on other goods and services.</p> <p>Managers should be reminded of their responsibility to ensure that goods and services procured is correctly coded before authorising the expenditure.</p> <p>It has been suggested by Corporate Procurement that agency codes should be consolidated into a single code. This would make the reporting on total expenditure easier and due to the direct feed from Matrix to Masterpiece expenditure outside the system will still be able to be identified.</p> <p>It has been suggested that all agencies added to P2P are 'hard coded' to ensure that all agency use is captured.</p> <p>URN 1432</p> | | 31/12/2016 | | | <p>have met and agreed that one code for agency wouldn't be feasible and that it is best have the Matrix detail code separate to other agencies to enable out of contract agency staff usage to be identified.</p> <p>Detail code usage across the board has been discussed in Finance Practitioners group with an exercise in the pipeline to review all detail code usage, a sub group is due to meet to discuss this issue.</p> | <p>monitored closely and reported as part of the monthly budget monitoring process.</p> |

Actions with a Revised Due Date Six Months Beyond Original Due Date

Appendix E

| Portfolio | Ref: | Audit | Priority | Original Action Due Date | Revised Due Date | Reason for Revised Due Date |
|-----------|------|---|----------|--------------------------|------------------|---|
| Corporate | 1377 | Risk Management: Training for Members | M | 30/06/2016 | 30/09/2017 | CAMMS is still being developed for the efficiency tracking with the aim of piloting it's use over the recess, ready for launch with Programme Boards in October- December. As part of this, the complexity of levels for each of the efficiency projects have been assessed and at this stage it is unlikely that many will become 'projects' in their own right in CAMMS. It is only when they are using the project module will this become apparent. |
| Corporate | 1375 | Risk Management: Efficiency Tracker Risk Register | L | 30/6/2016 | 31/05/2017 | At the PSB meeting on 17 October the Board agreed to all partnerships completing the new assessments by the end of March 2017. |
| Corporate | 369 | Risk Management: Updates to Programme Board | L | 30/6/2016 | 31/03/2017 | Although Programme Boards are reviewing risks at each meeting and manually updating spreadsheets; the intention is that once all business plans are in CAMMS (by Sept/Oct PB meetings) that this will be more automated and transparent. There has been delay to the Efficiency Programme Board information in CAMMS due to their personnel changes. The revised due date reflects this delay. |
| Corporate | 140 | Strategic Partnerships : Self Assessment | L | 31/03/2016 | 31/03/2017 | This is an ongoing process which will need a number of reminder conversations at quarterly intervals to ensure the understanding. The Member training programme will commence after the elections. |

| Portfolio | Ref: | Audit | Priority | Original Action Due Date | Revised Due Date | Reason for Revised Due Date |
|------------------------|------|-------------------------------------|----------|--------------------------|------------------|---|
| Community & Enterprise | 169 | New Homes: Policies & Procedures | M | 31/03/2016 | 31/03/2017 | Review of Policy & procedures is a bigger task than originally anticipated. |
| Governance | 174 | CPRs : Declaration of Interests | M | 31/03/2016 | 30/04/2017 | Development of new electronic system for recording interests. In the meantime we have existing paper arrangements for recording interests and the Chief Officer, Governance, will remind all Chief Officers via DMTs of the need to do this. |
| Governance | 175 | CPRs : Scheme of Delegation | M | 31/08/2016 | 31/12/2017 | <p>I suggest that the due date is amended for recommendation 175 , since the roll-out of e-sourcing has had to be put on hold due to ill-health of a key member of our team who was responsible for Proactis e-sourcing training.</p> <p>However the new Contract Procedure Rules have been amended which now stipulates that the scheme of delegation now mirrors the values aligned to spend authorisation limits for individual users in P2P, hence part of the recommendation has been completed.</p> <p>Therefore, I suggest that the due date is amended to 31st December 2017 to allow sufficient time for the Proactis Portal implementation roll-out to be undertaken to all remaining service areas, but a caveat is incorporated into the update about the scheme of delegation having been implemented in the new CPR's.</p> |
| Governance | 284 | Main Accounting : Expenditure Codes | L | 29/02/2016 | 31/05/2017 | The Procurement function is going through an organisational re-structure in DCC. Once the new structure has been implemented then the category workflow can be expanded. |

| Portfolio | Ref: | Audit | Priority | Original Action Due Date | Revised Due Date | Reason for Revised Due Date |
|-------------------------|------|--|----------|--------------------------|------------------|---|
| Organisational Change 1 | 1435 | Section 106 : Update of LPGN 13 | M | 30/06/2016 | 31/03/2017 | Due date revised at the request of the Responsible Officer |
| Organisational Change 2 | 20 | Asset Management : Land & Property Owned within Tech Forge | M | 31/10/2015 | 28/2/2017 | Various emails to support date changed. Currently (as at 1/11/2016) the services decided it would be advisable to access Council Land holdings via the above LR portal, and gauge feedback from TechForge users how useful they consider it to be. |
| Organisational Change 2 | 21 | Asset Management : Tech Forge not used to full potential | M | 30/09/2015 | 31/01/2017 | Email extract 'I can confirm that we are implementing the linkage of documents such as asbestos survey reports and DDA access survey reports with their respective properties in Tf Property Register. So on the basis of the above the date for completion has been extended'. |
| People & Resources | 266 | Income from Fees & Charges : Policy | H | 31/12/2015 | 30/06/2017 | Significant work is ongoing in relation to this area and a review of all current fees and charges for 2016/17 and 2017/18 has been undertaken as part of the portfolio business planning process which has informed the respective budget process. Following on from this staged development of a wider corporate income policy with possible changed or new fees and charges from 2018/19 is under development and external expertise, advice and national data on charges has been commissioned as part of this work. In view of the significant work undertaken on income strategy (past and current) the risk is deemed manageable. |
| People & | 128 | Payroll: Budget | M | 31/03/2016 | 31/03/2017 | The due date has been amended because we are currently |

| Portfolio | Ref: | Audit | Priority | Original Action Due Date | Revised Due Date | Reason for Revised Due Date |
|------------------------|------|---|----------|--------------------------|------------------|--|
| Resources | | Codes | | | | investigating ways of reducing code errors at source instead of implementing costing validation. |
| Planning & Environment | 317 | Section 106 : Update of LGPN | H | 30/06/2016 | 31/03/2017 | First meeting of the group scheduled for February following the adoption of the revised LPG 23 in January. |
| Planning & Environment | 324 | Section 106 : Accounting Treatment of S106 Balances | M | 30/06/2016 | 31/03/2017 | First meeting of the group scheduled for February following the adoption of the revised LPG 23 in January. |
| Planning & Environment | 327 | Section 106 : Interest Due on Unspent Commuted Sums | M | 30/06/2016 | 31/03/2017 | Enforcement team now tracking end dates of 106 agreements. Will be formally addressed at the working group in February. |
| Planning & Environment | 335 | Section 106 : Inclusion of Early Payments on S106 Database | M | 30/06/2016 | 31/03/2017 | Enforcement team made aware of this change and will be followed up at the first working group in February. |
| Planning & Environment | 320 | Section 106 : Monitoring Reports | L | 30/06/2016 | 31/03/2017 | Date amended following a meeting with Andy Farrow 24/03/2016. |
| Social Services | 110 | Third Sector Commissioning : Development of a Strategic Commissioning | M | 01/04/2016 | 31/01/2017 | Work needs to take place in conjunction with Corporate Services and also incorporating the co-productive work being undertaken with providers and service users to shape commissioned services for the future. |

| Portfolio | Ref: | Audit | Priority | Original Action Due Date | Revised Due Date | Reason for Revised Due Date |
|-----------------|------|--|----------|--------------------------|------------------|--|
| | | Plan | | | | |
| Social Services | 116 | Third Sector Commissioning 15/16 : Potential for Improved outcomes through joint working with Health | M | 01/04/2016 | 28/04/2017 | A requirement under the Social Services and Well-being (Wales) Act 2014 is to undertake a Population Needs Assessment (PNA) across Wales. Work is currently being undertaken regionally to organise the assessment and locally to undertake the work and Flintshire is fully engaged in this process. The results of the PNA are expected at the end of March 2017 and they will inform areas where services need to be commissioned and which parts of that commissioning work can and should be undertaken jointly with BCUHB. As a result no further action on joint commissioning of services with Health is planned to be undertaken until we have the results of the PNA. The Due date has been amended to reflect this. |
| Social Services | 117 | Third Sector Commissioning 15/16 : Funding of Third Sector organisations | M | 01/04/2016 | 31/03/2017 | New tender will not be out until September, due date revised to reflect this. |
| Social Services | 124 | Third Sector Commissioning 15/16 : Impact of changes to the EU Public Contracts Directive | M | 01/04/2016 | 31/03/2017 | New tender will be going out September '16. Due date revised to reflect this |
| Social Services | 126 | Third Sector Commissioning | M | 01/04/2016 | 31/03/2017 | Procurement Unit have not yet commenced work on the |

| Portfolio | Ref: | Audit | Priority | Original Action Due Date | Revised Due Date | Reason for Revised Due Date |
|-----------------|------|--|----------|--------------------------|------------------|--|
| | | 15/16 : Inconsistency in the award of contracts to Third Sector organisations | | | | review of Contract Procedure Rules |
| Social Services | 127 | Third Sector Commissioning 15/16 : Contract management and contract monitoring | M | 01/04/2016 | 31/01/2017 | A reduction in contract monitoring has not been possible over past few months due to increased pressures on the Care Sector affecting quality of care provided. However, once this activity reduces there will be an opportunity to investigate proportionality of contract monitoring in line with work undertaken corporately. |
| Social Services | 162 | Direct Payments 15/16 : No formal Financial Strategy for Direct Payments | M | 31/12/2015 | 31/03/2017 | Further time needed to consult with relevant officers and agree a way forward to develop a direct payments financial strategy. 3/11/16 Further time needed for the dept to agree how this action will be completed and by whom. |
| Social Services | 111 | Third Sector Commissioning 15/16 : Innovation in commissioning practice to ensure service user needs are met and we continue to received value for | L | 01/04/2016 | 31/01/2017 | A group has been established to consider innovation commissioning and improvements in procurement - first meeting held April 2016. to ensure actions are produced and innovation seen, due date has been amended to end October '16 |

| Portfolio | Ref: | Audit | Priority | Original Action Due Date | Revised Due Date | Reason for Revised Due Date |
|-----------------|------|---|----------|--------------------------|------------------|--|
| | | money | | | | |
| Social Services | 114 | Third Sector Commissioning 15/16 : Adequacy of resources to maintain Third Sector contract database | L | 01/04/2016 | 28/04/2017 | Lack of administration resource for the Commissioning team remains a challenge with no consistent resource available to maintain the contracts database. Proactis system is also still not up and running as expected and this may free capacity |

Investigation Update

Appendix F

| Ref | Date Referred | Investigation Details |
|------------------------|---------------|--|
| 1. New Referral | | |
| 1.1 | 01/02/2017 | A referral has been received concerning a potential irregularity in the use of a petty cash account by a member of staff. An investigating Officer has been appointed and Internal Audit are assisting with the investigation. |
| 1.2 | 16/02/2017 | An allegation has been received concerning the potential use of Council resources for personal gain. The investigation is ongoing. |

| | | |
|--|------------|---|
| 2. Reported to Previous Committees and still being Investigated | | |
| 2.1 | 18/05/2016 | A referral was received concerning the use of monies on a grant funded scheme. The investigation has been concluded and a report has been issued pending further information. This is now the subject of a Police investigation and further information may be requested. |
| 2.2 | 05/01/2017 | A whistleblow was received concerning Flintshire's use of a framework agreement. The referral concerns the terms of the agreement. The investigation is ongoing. |

| | | |
|--|-----|-----|
| 3. Investigation has been Completed | | |
| 3.1 | N/A | N/A |

Internal Audit Performance Indicators

Appendix G

| Performance Measure | Qtr 1 16/17 | Qtr 2 16/17 | Qtr 3 16/17 | Qtr 4 (to date) 16/17 | Target | RAG Rating | |
|--|----------------|----------------|----------------|-----------------------------|--------|---------------|---|
| Internal Audit Departmental Targets | | | | | | | |
| Audits completed within planned time | 60% | 81% | 75% | 71% | 80% | A | ↓ |
| Average number of days from end of fieldwork to debrief meeting | 21.4 | 15 | 13 | 19 | 20 | G | ↑ |
| Average number of days from debrief meeting to the issue of draft report | 1.6 | 7 | 4 | 4 | 2 | R | → |
| Days for departments to return draft reports | 3 | 9 | 7 | 17 | 3 | R | ↓ |
| Average number of days from response to issue of final report | 2.4 | 1 | 2 | 0 | 2 | G | ↑ |
| Total days from end of fieldwork to issue of final report | 28.4 | 42 | 35 | 34 | 27 | R | ↑ |
| Productive audit days | 74.1% | 67% | 68% | 74% | 75% | A | ↑ |
| Client questionnaires responses as satisfied | 100% | 100% | 100% | 100% | 95% | G | → |
| Return of Client Satisfaction Questionnaires | 63% | 50% | 50% | 67% | 70% | A | ↑ |

| Key | | | | | |
|------------|---------------------|----------|----------------------|----------|-----------------|
| R | Target Not Achieved | A | Within 20% of Target | G | Target Achieved |
| ↑ | Improving Trend | → | No Change | ↓ | Worsening Trend |

Internal Audit Operational Plan 2016/17

Appendix H

| Audit | Audit Type | IA Risk Rating | Original Plan Days | Revised Plan Days | Actual Days | Status / Proposed Quarter |
|---|--------------|----------------|--------------------|-------------------|-------------|---------------------------|
| Corporate | | | | | | |
| Consultants | Risk Based | R | 15 | 15 | 9 | Final |
| Safeguarding (including schools) | Risk Based | A | 20 | 20 | 2 | In Progress |
| Performance Indicators | Risk Based | G | 10 | 10 | 0 | 4 |
| Risk Management | Risk Based | G | 10 | 10 | 2 | In Progress |
| Corporate Governance | Advisory | G | 10 | 10 | 0 | In Progress |
| Compliance | Advisory | G | 20 | 10 | 1 | Final |
| Total Planned Days – Corporate | | | 85 | 75 | 14 | |
| Community and Enterprise | | | | | | |
| Gas Servicing *(Combined) | Risk Based | R | 10 | 10 | * | Final |
| Disabled Facilities Grant | System Based | R | 20 | 20 | 0 | 4 |
| Mobile Working *(Combined) | Risk Based | A | 15 | 15 | 24* | Final |
| Tell Us Once | Risk Based | A | 10 | 10 | 10 | Final |
| Flintshire Connects | VFM | A | 15 | 15 | 16 | Final |
| Council Tax and NNDR | System Based | A | 15 | 0 | - | Defer |
| Community First | Follow Up | | 10 | 10 | 2 | In Progress |
| Total Planned Days – Community & Enterprise | | | 95 | 80 | 52 | |
| Education and Youth | | | | | | |
| Control and Risk Self-Assessment | Risk Based | R | 10 | 10 | 23 | Final |
| Budgetary Control | System Based | R | 20 | 20 | 24 | Final |
| Education Improvement Grant | Risk Based | R | 20 | 15 | 7 | Final |
| Risk based thematic reviews across all schools including central controls | Risk Based | A | 40 | 40 | 37 | In Progress |
| Youth Justice | System Based | A | 15 | 15 | 3 | In Progress |
| School Funding Formula | Advisory | A | 15 | 15 | 0 | No Longer Relevant |
| School Funds | Follow Up | | 5 | 5 | 0 | In Progress |
| Total Planned Days – Education & Youth | | | 125 | 120 | 94 | |
| Governance | | | | | | |
| Network Security | Risk Based | R | See Note # | - | - | 4 |
| Procurement | Risk Based | A | 30 | 30 | 36 | In Progress |
| Electronic Document Management | Risk Based | A | 10 | 0 | - | Defer |

| Audit | Audit Type | IA Risk Rating | Original Plan Days | Revised Plan Days | Actual Days | Status / Proposed Quarter |
|---|---------------|----------------|--------------------|-------------------|-------------|---------------------------|
| IT Security Policies | Systems Based | A | 15 | 0 | - | Defer |
| Digitisation | VFM | A | 20 | 0 | - | Defer |
| Cloud Computing | Risk Based | G | 5 | 0 | - | Defer |
| Data Protection | Risk Based | G | 15 | 10 | 1 | Defer to April |
| Total Planned Days – Governance | | | 95 | 40 | 37 | |
| Organisational Change 1 | | | | | | |
| Alternative Delivery Models | VFM | R | 30 | 30 | 7 | In Progress |
| Japanese Youth Exchange | Regulatory | G | 5 | 0 | 1 | No Longer Relevant |
| Total Planned Days – Organisational Change 1 | | | 35 | 30 | 8 | |
| Organisational Change 2 | | | | | | |
| Industrial Units | Risk Based | A | 15 | 15 | 23 | Final |
| Corporate Asset Strategy | Risk Based | A | 15 | 15 | 1 | In Progress |
| Community Asset Transfers (CAT) | VFM | A | 15 | 15 | 15 | Final |
| Total Planned Days – Organisational Change 2 | | | 45 | 45 | 39 | |
| People and Resources | | | | | | |
| Payroll | System Based | A | 20 | 20 | 12 | In Progress |
| Compulsory & Early Voluntary Redundancy | Risk Based | A | 15 | 15 | 12 | In Progress |
| Corporate Grants | Risk Based | A | 15 | 10 | 4 | In Progress |
| Main Accounting – Accounts Payable (AP) / P2P | System Based | G | 20 | 0 | - | Defer |
| Main Accounting – General Ledger (GL) | System Based | G | 15 | 15 | 14 | Final |
| Collaborative Planning (CP) | Advisory | G | 15 | 15 | 7 | Final |
| E-Teach (Supply Staff) – Payroll and Recruitment | Advisory | R | 5 | 5 | 0 | Ongoing |
| Single Status – Equal Pay Claims | Advisory | G | 5 | 5 | 3 | Ongoing |
| Finance Modernisation Programme – AR | Advisory | G | 5 | 5 | 0 | Ongoing |
| Accounts Governance Group | Advisory | G | 5 | 5 | 0 | Ongoing |
| Total Planned Days – People & Resources | | | 120 | 95 | 52 | |
| Planning and Environment | | | | | | |
| Greenfield Valley Heritage Park | Risk Based | R | 20 | 20 | 38 | Final |

| Audit | Audit Type | IA Risk Rating | Original Plan Days | Revised Plan Days | Actual Days | Status / Proposed Quarter |
|--|--------------|----------------|--------------------|-------------------|-------------|---------------------------|
| Building Control (*Combined) | System Based | R | 20 | 20 | * | In Progress |
| Planning Enforcement (*Combined) | System Based | A | 20 | 20 | 30* | In Progress |
| Total Planned Days – Planning & Environment | | | 60 | 60 | 68 | |
| Social Services | | | | | | |
| Multi Agency SLA's Agreements with Combined Services | Risk Based | A | 15 | 0 | - | Defer |
| Flying Start – Childcare Placements | Risk Based | A | 10 | 10 | 13 | Final |
| PARIS finance module | Advisory | A | 5 | 0 | - | Defer |
| Family Information Services | Risk Based | A | 15 | 15 | 12 | In Progress |
| Children Out of County Care and Education | Risk Based | A | 20 | 0 | 2 | Defer |
| Care Leavers | Risk Based | A | 15 | 15 | 26 | In Progress |
| Direct Payments | Follow Up | | 0 | 5 | 9 | Final |
| Total Planned Days – Social Services | | | 80 | 45 | 62 | |
| Streetscene and Transportation | | | | | | |
| Enforcement | Risk Based | R | 30 | 30 | 12 | In Progress |
| Fleet Management | Risk Based | R | 20 | 20 | 0 | 4 |
| Alltami Stores | System Based | A | 15 | 10 | 11 | In Progress |
| Fleet Management | Advisory | A | 5 | 5 | 0 | Ongoing |
| Integrated Transport | Advisory | A | 5 | 5 | 0 | Ongoing |
| Maintenance of the Public Realm | Risk Based | A | 10 | 0 | - | Defer |
| Total Planned Days – Streetscene & Transportation | | | 85 | 70 | 24 | |
| External | | | | | | |
| Pensions Administration | System Based | A | 15 | 15 | 7 | In Progress |
| Pensions Investments | System Based | A | 15 | 15 | 0 | 4 |
| Clwyd Theatre Cymru | System Based | A | 10 | 10 | 0 | 4 |
| North West Residual Waste Partnership | Advisory | G | 5 | 5 | 0 | On going |
| Total Planned Days - External | | | 45 | 45 | 7 | |
| Notes: | | | | | | |
| # External technical support may be required for this audit | | | | | | |
| * Audit has been combined with another and one audit report will be produced | | | | | | |

| | Original Plan Days | Revised Plan Days | Actual Days |
|--|--------------------|-------------------|-------------|
| Investigations, Provisions and Developments | | | |
| Provision for Investigations and Pro-active Fraud | 200 | 200 | 115 |
| Provision for Ad-hoc Requests from Management – Addition to Plan | 65 | 65 | 79 |
| <i>Ysgol Ty Ffynnon</i> <i>Final</i> | - | - | 14 |
| <i>Joint CPRs & Procurement Strategy Working Group</i> <i>Final</i> | - | - | 6 |
| <i>Certifying Officers Database Working Group</i> <i>Final</i> | - | - | 1 |
| <i>Single Status Governance Group</i> <i>Ongoing</i> | - | - | 1 |
| <i>Consultancy Project Group</i> <i>Ongoing</i> | - | - | 2 |
| <i>Provider Overpayments</i> <i>Final</i> | - | - | 18 |
| <i>Task & Finish Group – Provider Payments</i> <i>Ongoing</i> | - | - | 1 |
| <i>Use of Clients Money</i> <i>Final</i> | - | - | 4 |
| <i>Social Services Supporting Living</i> <i>Ongoing</i> | - | - | 1 |
| <i>Accounting for Highways Infrastructure</i> <i>Final</i> | - | - | 31 |
| Follow Up Reviews | 15 | 10 | 0 |
| Audit Development | 30 | 0 | 0 |
| IDEA | 10 | 0 | 0 |
| Overall Plan Total | 1190 | 980 | 643 |

| Glossary | |
|------------------------------|---|
| 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. |
| System 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 actions from previous reviews. |
| Addition to Plan | Audits added to the plan at the request of management, time used from the provision for requests. |

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AUDIT COMMITTEE

| | |
|------------------------|--------------------------------|
| Date of Meeting | Wednesday, 15 March 2017 |
| Report Subject | Action Tracking |
| Cabinet Member | Not Applicable |
| Report Author | Interim Internal Audit Manager |
| Category | Advisory |

EXECUTIVE SUMMARY

The report shows the action points from previous Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

RECOMMENDATIONS

| | |
|---|--|
| 1 | The committee is requested to accept the report. |
|---|--|

REPORT DETAILS

| | |
|-------------|---|
| 1.00 | EXPLAINING THE ACTION TRACKING REPORT |
| 1.01 | In previous meetings requests for information, reports or actions 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. Full action tracking details within Appendix A. |

| | |
|-------------|----------------------------------|
| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | None as a result of this report. |

| | |
|-------------|--|
| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | Action owners contacted to provide an update on their actions. |

| | |
|-------------|----------------------------------|
| 4.00 | RISK MANAGEMENT |
| 4.01 | None as a result of this report. |

| | |
|-------------|-----------------------------|
| 5.00 | APPENDICES |
| 5.01 | Appendix A – Action Points. |

| | |
|-------------|--|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | None. Contact Officer: Lisa Brownbill, Interim Internal Audit Manager Telephone: 01352 702231 E-mail: lisa.brownbill@flintshire.gov.uk |

| | |
|-------------|--------------------------|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | None. |

AUDIT COMMITTEE - ACTION SHEETPresented Wednesday, 15th March 2017

| 16 th MARCH 2016 | | | | |
|-----------------------------|--------------------------------|---|------------------------|--------------------------------------|
| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
| 63 | Internal Audit Progress Report | To consider how best to report PIs on future reports. | Internal Audit Manager | PI's to be reviewed at the year end. |

| 13 th JULY 2016 | | | | |
|----------------------------|-------------------------------|---|---------------------------|---|
| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
| 6 | Draft Statement of Accounts | Part 2 report on all School Balances to be scheduled for a future meeting, to include the views of the Education and Youth OSC and School Budget Forum. | Internal Audit Manager | Update to be provided to March meeting. |
| 11 | Certification of Grant Claims | An interim report on progress with the action plan to be received in the Autumn. Periodic updates to be shared with WAO. | Corporate Finance Manager | Verbal update provided at January meeting and formal report to March meeting. |

13th JULY 2016

| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
|------------------------|-------------------------------|--|----------------------------|---|
| 11 | Certification of Grant Claims | To share with the Committee comparative statistics on grant claims by other Authorities to show Flintshire's standing. | WAO | Statistics provided at January meeting. |

25th September 2016

| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
|------------------------|---------------------------|--|----------------------------|-------------------------------------|
| 26 | Contract Procedural Rules | That the Audit Committee receives an early report on the successful transition to the new CPRs and receives reports on the performance of contracts against the rules in practice. | Gareth Owens | Update provided to January meeting. |
| 26 | Contract Procedural Rules | To speak to Cllr Banks and Cllr Roberts outside of the meeting about their specific concerns on contractors. | Gareth Owens | Update provided to January meeting. |
| 26 | Contract Procedural Rules | To share the flowchart used at Denbighshire, together with guidance for users and suppliers. | Tom Booty / Gareth Owens | Update provided to January meeting. |

25th September 2016

| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
|------------------------|--------------------------------|---|------------------------------|---|
| 26 | Contract Procedural Rules | To schedule a twice yearly update on CPRs on the Committee's Forward Work Programme. | Lisa Brownbill | Action included within the Audit Committee's Forward Work Programme for January and September 2017 and March and November 2018. |
| 27 | Internal Audit Progress Report | To invite the Chief Officer, Social Services, to the January meeting to give assurance of the safeguards in place on provider payments. | Lisa Brownbill | Chief Officer, Social Service, attended January's meeting to provide an update. |
| 27 | Internal Audit Progress Report | To draw to the Committee's attention any actions with a revised due date six months beyond the original due date. | Lisa Brownbill | Provided within the January Internal Audit Progress Report and to be included in all future reports. |
| - | - | To provide a position statement on the Internal Audit Manager position at the January Meeting. | Gareth Owens / Colin Everett | A verbal update presented at the January Meeting. |

11th January 2017

| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
|------------------------|--------------------------------------|--|----------------------------|---|
| 35 | Internal Audit Progress Report | To include a review of controls on provider payments in the 17/18 Audit Plan | Lisa Brownbill | Included within the Audit Plan 2017/18 – 2019/20 to be presented at the March meeting. This will form part of the commissioned work requested by Social Services. |
| 40 | Treasury Management Strategy 2017/18 | Borrowing limits under section 9 of the Strategy to be altered before submission to Cabinet and Council. | Liz Thomas | Updated |
| 40 | Treasury Management Strategy 2017/18 | To share examples of debt rescheduling including repayments and savings | Liz Thomas | Examples will be included within the Treasury Management Quarter 4 Update Report to be presented at the March meeting. |
| 47 | Greenfield Valley Heritage Park | An informal update to be given to the Committee on the outcome | Colin Everett | A verbal update to be provided. |



AUDIT COMMITTEE

| | |
|------------------------|---|
| Date of Meeting | Wednesday 15 th March 2017 |
| Report Subject | Wales Audit Office (WAO) Audit Plan 2017 |
| Report Author | Chief Executive and Corporate Finance Manager |

EXECUTIVE SUMMARY

External auditors are required to carry out an audit to discharge their statutory duties as Auditor General and fulfil their obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 and the Local Government Act 1999, and the Code of Audit Practice.

The Wales Audit Office, being the Council's external auditor, has prepared an audit plan for 2017 for the Council and the Clwyd Pension Fund (attached at Appendix 1 and 2 to this report) which sets out their proposed audit work for the year along with timescales, costs and the audit teams responsible for carrying out the work.

RECOMMENDATIONS

| | |
|---|------------------------------|
| 1 | Members note the WAO reports |
|---|------------------------------|

REPORT DETAILS

| | |
|-------------|--|
| 1.00 | EXPLAINING THE WAO AUDIT PLAN |
| 1.01 | The 2017 Audit Plan for Flintshire County Council is attached at Appendix 1, and Clwyd Pension Fund at Appendix 2. |
| 1.02 | The Audit Plan for Flintshire County Council is a combined plan covering; <ul style="list-style-type: none"> • Financial audit of the 2016/17 Statement of Accounts • Certification of 2016/17 grant claims and returns • Other audit work relating to North Wales Residual Waste Joint Committee |

| | |
|------|---|
| | <ul style="list-style-type: none"> Performance audit including annual improvement assessment |
| 1.03 | The draft financial statements will be reported to the Audit Committee in July 2017. 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 2017. |
| 1.04 | The improvement assessment work, combined with work on financial matters, also discharges the Auditors responsibility to satisfy that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. |
| 1.05 | WAO have issued a separate report summarising their work on certification of grants and returns 2015/16 which is included elsewhere on this agenda. |
| 1.06 | The programme of performance audit work in 2017/18 is outlined in exhibit 6 within the WAO report. |

| | |
|-------------|---|
| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | Proposed fees charged for the audit work for Flintshire County Council has been included in the WAO report at exhibit 7. Proposed fees charged for the audit work for Clwyd Pension Fund has been included in the WAO report at exhibit 3. |

| | |
|-------------|---|
| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | None required. |

| | |
|-------------|---|
| 4.00 | RISK MANAGEMENT |
| 4.01 | All audit work is carried out on a risk based approach which is covered in detail within the WAO's reports. |

| | |
|-------------|---|
| 5.00 | APPENDICES |
| 5.01 | Appendix 1 - WAO 2017 Audit Plan Flintshire County Council Appendix 2 – WAO 2017 Audit Plan Clwyd Pension Fund |

| | |
|-------------|--|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk</p> |

| | |
|-------------|--|
| 7.00 | GLOSSARY OF TERMS |
| | <p>Financial Audit: The annual external audit of the Council’s Statement of Accounts.</p> <p>Financial Year: the period of 12 months commencing on 1 April</p> <p>Material: A concept used to inform judgements regarding the accuracy of the Council’s Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p>Statement of Accounts / Final Accounts / Financial Accounts or Statements: The Council’s annual finance report providing details of the Council’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> |

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2017 Audit Plan – **Flintshire County Council**

Audit year: 2016-17

Date issued: March 2017

Document reference: 186A2017

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2017 Audit Plan

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Appendices

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2017 Audit Plan

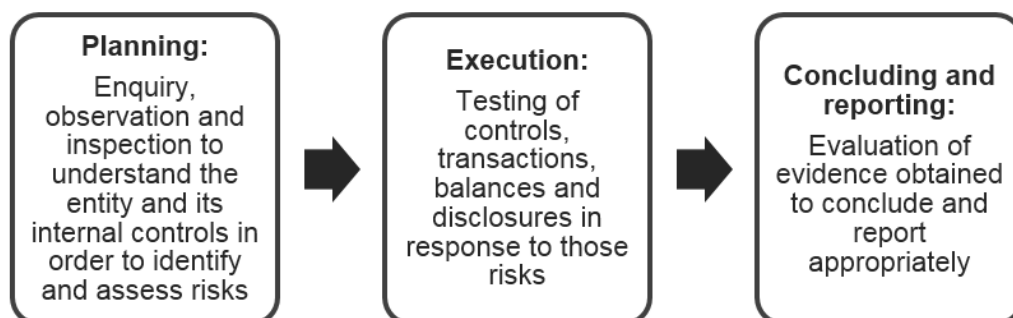
Summary

- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
- 6 I also consider whether or not Flintshire County Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



9 The risks to my audit of your financial statements are, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: financial statements risks

| Financial statements risk | Proposed audit response |
|---|---|
| The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk in accordance International Standard on Auditing (ISA) 240. | We will: <ul style="list-style-type: none"> test the appropriateness of journal entries and other adjustments made in preparing the financial statements; review accounting estimates for biases; and evaluate the rationale for any significant transactions outside the normal course of business. |
| The level of income received by the Council means that there is an inherent risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk in accordance with ISA 240. | We will review the design and test the operation of controls in the systems relating to: <ul style="list-style-type: none"> treasury management grant income other income sources |
| Risk that the Council's key financial systems and controls are not designed or operating effectively to prevent and detect material misstatements in the financial statements. | We will review the key controls to support the production of accurate accounts, including the main accounting system, closedown procedures. |
| Risks related to preparation of the accounts: <ul style="list-style-type: none"> risk of material misstatement arising from changes to CIPFA's Code of Practice (CIPFA's Code) on Local Authority Accounting in the presentation and restatement of: | We will: <ul style="list-style-type: none"> Review the new reporting requirements and the restated Comprehensive Income and Expenditure Account, to ensure that they comply, in all material respects, with the CIPFA Code. We will do this at an |

| Financial statements risk | Proposed audit response |
|---|--|
| <ul style="list-style-type: none"> - the 'Comprehensive Income and Expenditure Account', including the accounting for gross income and expenditure and allocation of internal costs; - the 'Movement in Reserves Statement'; <p>and a requirement to prepare the new 'Expenditure and Funding analysis'.</p> <ul style="list-style-type: none"> • there is a risk of material misstatement in the financial statements arising from the Council's rolling programme of revaluing Property Plant and Equipment (fixed assets); • risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure; • there is a risk that the financial transactions of North East Wales Homes are not reflected in accordance with the requirements of accounting for group operations. | <p>early stage of the audit by reviewing the Council's proposed new format to the accounts and consider the treatment of gross income and expenditure and the allocation of internal costs.</p> <ul style="list-style-type: none"> • assess the rolling revaluation programme to ensure it has been conducted in line with accounting policies; and that it is, in all material respects, accurately reflected in the financial statements. • undertake a programme of audit testing to address risks identified as part of our planning work and review of the draft financial statements. • we will review the accounting treatment and disclosure of the group operations to ensure they are accurately and appropriately reflected in the financial statements. |
| <p>The preparation of the Statement of Accounts will involve the estimation of a number of account figures such as provisions for the Council's liabilities (eg pay claims, legal disputes).</p> | <p>We will review:</p> <ul style="list-style-type: none"> • the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information, including progress with the determining liabilities; • progress with investigations into the potential liabilities arising from a number of former waste disposal sites to ensure appropriate recognition; and • documentation held to support estimates derived and judgements made, and refer to papers provided in support of them. <p>We will also ensure that appropriate accounting and disclosure requirements are included within the financial statements.</p> |

| Financial statements risk | Proposed audit response |
|---|--|
| <p>We have identified a number of disclosures as being material by nature. These include the disclosure of Related Parties and the Remuneration note. Risk that exit packages paid by the Council do not fully comply with the requirements of CIPFA's Code and Council policy are also considered sensitive by nature.</p> | <p>We will design detailed testing to obtain the required assurance that disclosures identified as material by nature have not been misstated.</p> |

- 10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee and the Council prior to completion of the audit.
- 11 For reporting purposes, I will treat any misstatements below a 'trivial' level (5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 13 In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.

Certification of grant claims and returns

- 14 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 2](#).
- 15 My audit fee for this work is set out in [Exhibit 7](#).

Overall issues identified

- 16 [Exhibit 3](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2015-16.

Exhibit 3: overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2015-16

In 2015-16, we audited 13 claims and returns of which five were qualified. The key issues resulting in qualifications were:

- the inclusion of expenditure which did not relate to the financial year being audited;
- non-compliance with the Council's standing orders for contracts;
- insufficient monitoring of third party expenditure;
- the inclusion of recoverable VAT within grant claims; and
- the inclusion of expenditure for which the correct process for Welsh Government authorisation had not been followed.

Effectiveness of grant coordination arrangements

Whilst the Council has improved its overall arrangements for the preparation and certification of claims and returns in recent years, there is still room for further improvement. In particular the Council needs to ensure that:

- only eligible expenditure, including that incurred within the claim period, is included within the claim;
- internal standing orders are complied with including Contract Procedure Rules;
- there is monitoring in place to give themselves, and the grant paying body, sufficient assurance over expenditure made by third parties;
- no recoverable VAT is included; and
- where application/authorisation is required from Welsh Government for particular expenditure that this is obtained in writing prior to the transactions taking place, and is retained for audit purposes.

Issues related to specific grant claims and returns

- 17 In addition to the overall issues identified above, I summarise the more significant issues I have identified relating to individual grant claims and returns in [Appendix 2](#).

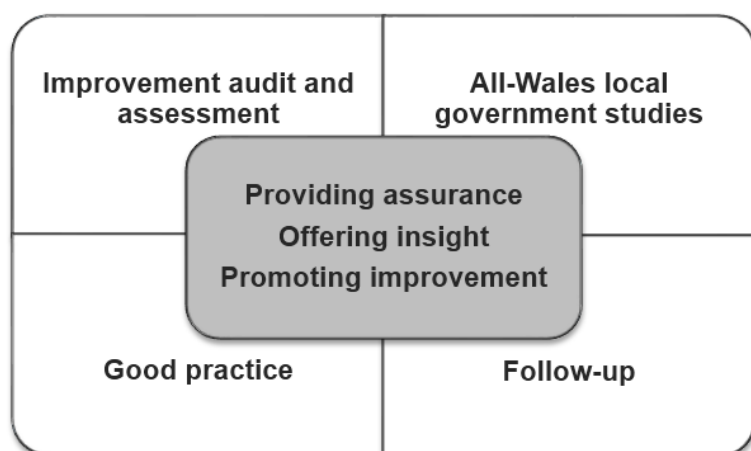
Other work undertaken

- 18 I am also responsible for the audit of the North Wales Residual Waste Joint Committee. There are no specific risks that I have identified in relation to the Joint Committee. My audit fee for this work is set out in [Exhibit 7](#).
- 19 You will be aware that the CIPFA/LASAAC Local Authority Accounting Code Board (Code Board) has deferred the planned move to measuring the local authority highways network asset at depreciated replacement cost. The Code Board will consider whether the central Gross Replacement Cost rates and central assurance processes will be delivered in a timely manner to enable successful implementation in 2017-18 at its meeting in March 2017. The requirements will be introduced in the 2017-18 Code.
- 20 Any required additional audit work in relation to the highways network asset cannot be contained within existing fees. The additional audit cost will be agreed based on the quality of the council's systems and records and the availability of central assurances. I anticipate that the additional fees related to the highways network asset will be reflected in the audit fee for 2017-18.
- 21 It will however be important for authorities to maintain their momentum in preparing for this significant change and may wish to engage with their external auditor as they make progress. I will discuss with you the scope of any additional preparatory work required in 2017 and any additional audit fee for such work.

Performance audit

- 22 The components of my performance audit work are shown in [Exhibit 4](#).

[Exhibit 4: components of my performance audit work](#)



- 23 Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies were required to adopt the principle of sustainable development from April 2016, and Local Government Reform remains under consideration.
- 24 For 2017-18 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
- 25 During 2016 I consulted with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people's needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
- 26 In addition to the annual programme of audit and assessment work, the Wales Audit Office also undertakes a programme of Local Government Studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. **Exhibit 5** summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.

Exhibit 5: local government studies

| Study | Status |
|--|-------------------------|
| 2015-16 studies | |
| • community safety | Published October 2016 |
| • income generation and charging | Published November 2016 |
| • council funding of third sector services | Published January 2017 |
| 2016-17 studies | |
| • how local government manages demand | Fieldwork |
| • strategic commissioning | Fieldwork |
| • improving well-being through housing adaptations | Fieldwork |

27 Taking all these factors into consideration, my 2017-18 programme of work will comprise:

Exhibit 6: performance audit programme

| Performance audit programme | Brief description |
|--|---|
| Improvement audit and assessment work including: <ul style="list-style-type: none"> • improvement planning and reporting audit • follow-up of local and national proposals for improvement/recommendations • local risk-based projects – TBC • Annual Improvement Report | <ul style="list-style-type: none"> • basic certification of improvement plan and annual report • follow-up review of a sample of local and national proposals for improvement/recommendations • project briefs will be shared prior to commencement of project work • summary of performance audit work undertake in the year |
| WFG baseline assessment | Project brief expected May 2017. |
| PSB Scrutiny review | This review will establish a baseline of how PSB scrutiny arrangements have been developed, review proposed work programmes, examine any reports or recommendations and highlight any potential weaknesses or areas for further consideration. |
| Service User Perspective review | Building on work undertaken on the Addressing dependency and demand Local Government Study, this project will test the service-user interface at all authorities. The review will evaluate what it feels like (as a member of the public) to deal with council services involving a selection of services and scenarios. |

28 The performance audit projects included in last year’s Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 3](#).

Fee, audit team and timetable

Fee

- 29 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 30 Your estimated fee of £309,960 for 2017 is set out in [Exhibit 7](#). This figure represents a 3.3% decrease compared to the fee set out in the 2016 audit plan.

Exhibit 7: audit fee

| Audit area | Proposed fee (£) ¹ | Actual fee last year (£) |
|--|-------------------------------|--------------------------|
| Audit of accounts ² | 209,699 | 216,336 |
| Performance audit work: ³ | 100,261 | 104,244 |
| Total fee | 309,960 | 320,580 |
| Grant certification work ⁴ | 50,000–60,000 | 54,700 |
| Other financial audit work ⁵ | | |
| North Wales Residual Waste Joint Committee | 920 | 920 |

Notes:

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

² Payable November 2016 to October 2017.

³ Payable April 2017 to March 2018.

⁴ Payable as work is undertaken.

⁵ Payable as work is undertaken and subject to the level of testing required.

- 31 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
- 32 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

Audit team

- 33 The main members of my team, together with their contact details, are summarised in **Exhibit 8**.

Exhibit 8: my team

| Name | Role | Contact number | E-mail address |
|-----------------|---|----------------|--|
| John Herniman | Engagement Director and Engagement Lead – Financial Audit | 02920 320566 | john.herniman@audit.wales |
| Huw Rees | Engagement Lead – Performance Audit | 0290 320599 | huw.rees@audit.wales |
| Matthew Edwards | Financial Audit Manager | 07837 385420 | matthew.edwards@audit.wales |
| Mike Whiteley | Financial Audit Team Leader | 01352 702185 | mike.whiteley@audit.wales |
| Jeremy Evans | Performance Audit Manager | 07825 052861 | jeremy.evans@audit.wales |
| Paul Goodlad | Performance Audit Lead | 07854 108620 | paul.goodlad@audit.wales |

- 34 I can confirm that my team members are all independent of the Council, its officers and any joint committees. I can confirm that, except as set out in **paragraph 35**, there are no known threats to the independence of the Appointed Auditor or other audit staff and I have complied with the Wales Audit Office rotation policy.
- 35 The only known threat that we need to bring to your attention relates to Matthew Edwards, the Financial Audit Manager. A member of his family is employed as a teacher in a Flintshire secondary school. As a result, he will not be involved in any work at the school. His involvement in any other audit work in relation to education will only be permitted following a risk assessment.

Timetable

36 I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 9](#).

Exhibit 9: timetable

| Planned output | Work undertaken | Report finalised |
|---|--------------------------------|--|
| 2017 Audit Plan | January to March 2017 | March 2017 |
| Financial accounts work: <ul style="list-style-type: none"> • Audit Deliverables • Audit of Financial Statements Report • Opinion on Financial Statements • Whole of Government Accounts submission | February to September 2017 | March 2017 September 2017 September 2017 October 2017 |
| Performance work: Programme will be finalised as soon as practicable: see paragraphs 22 to 26 | To be confirmed | To be confirmed |
| Annual Improvement Report | Throughout the year | June 2018 |
| Annual Audit Report | May to November 2017 | November 2017 |
| 2018 Audit Plan | December 2017 to February 2018 | February 2018 |

* Subject to timely clearance of draft findings with the Council.

Future developments to my audit work

Well-being of Future Generations (Wales) Act 2015

37 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. In 2017, I will conduct my first work under the Act – the Year One Commentary - to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

Other

- 38 Details of other future developments including changes to key IFRS and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 5](#).
- 39 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- the challenges posed by indirectly provided, publicly funded services in wales
 - how you manage risk around organisation change, service transformation and innovation
 - measuring outcomes: who's doing it and how (linked to well-being of future generations act)

Appendix 1

Respective responsibilities

Audit of accounts

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- the consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether Flintshire County Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- Flintshire County Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), 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.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect Flintshire County Council's 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. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within Flintshire County Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Appendix 2

Summary of grant claim certification work

Exhibit 10: summary of grant claim certification work

| Name of scheme | Period of scheme | Total/annual expenditure | Significant issues identified in 2015-16 |
|------------------------------------|--------------------|--------------------------|---|
| National Non Domestic Rates Return | 2015-16 | £66,428,009 | None |
| Housing Benefit Subsidy | 2015-16 | £38,852,738 | <ul style="list-style-type: none"> • Incorrect assessments of earned income; and • incorrect application of Rent Officer Determinations. |
| 21st Century Schools | 2015-16 | £15,771,764 | None |
| Bus Service Support Grant | 2014-15 to 2015-16 | £13,444,809 | <ul style="list-style-type: none"> • Insufficient monitoring of third party expenditure; • expenditure was included in the incorrect year; • the inclusion of expenditure for which no proof of eligibility could be provided; and • the Council did not reimburse the grant for an underspend of their allocation. |
| Teachers' Pension Return | 2015-16 | £12,800,825 | None |
| Flying Start Revenue | 2015-16 | £2,966,512 | <ul style="list-style-type: none"> • Insufficient monitoring of third party expenditure; • non-adherence to the Council's Contract Procedure Rules; and • the Council included recoverable VAT in the claim in error. |
| Free Concessionary Travel | 2015-16 | £2,246,322 | None |
| Families First | 2015-16 | £1,688,881 | None |

| Name of scheme | Period of scheme | Total/annual expenditure | Significant issues identified in 2015-16 |
|---|------------------|--------------------------|--|
| Local Transport Grant | 2015-16 | £787,000 | None |
| Social Care Workforce Development Programme | 2015-16 | £445,369 | None |
| Communities First – West Cluster | 2015-16 | £364,839 | <ul style="list-style-type: none"> • Expenditure was included in the incorrect year; and • the inclusion of expenditure for which no proof of eligibility could be provided. |
| Communities First – East Cluster | 2015-16 | £311,474 | <ul style="list-style-type: none"> • Expenditure was included in the incorrect year; and • the Council included recoverable VAT in the claim in error. |
| Flying Start Capital | 2015-16 | £279,536 | None |

Appendix 3

Performance work in last year's audit outline still in progress

Exhibit 11: performance work in last year's audit outline still in progress

| Performance audit project | Status | Comment |
|--|--------------------|--|
| Transformation theme | Not started | Expected to commence in March 2017 and conclude by June 2017 |
| Local projects | Fieldwork underway | To be reported in the Annual Improvement Report – May 2017 |
| Savings planning | Complete | Report expected early March 2017 |
| Good governance when determining significant service changes | Report drafting | Draft reports expected to be issued in March 2017 |

Appendix 4

National value-for-money studies

The Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

The table below covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

I am also currently consulting with the Public Accounts Committee and other stakeholders about the inclusion in my programme of a number of new value-for-money studies to be rolled out during 2017-18. For example, I have already indicated to the Committee that, following my July 2016 report on the Welsh Government's funding of Kancoat Ltd, I am considering a broader examination of the Welsh Government's support for business.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Exhibit 12: national value-for-money studies

| Topic | Anticipated publication (as at 3 January 2017) |
|---|--|
| Outpatient follow-up appointments | February 2017 |
| Governance and oversight of arms-length bodies (discussion paper) | February 2017 |
| Welsh Government oversight of further education institutions' finances and delivery | March 2017 |
| Circuit of Wales | February 2017 |
| Emergency ambulance services commissioning | February 2017 |
| 21st century schools and education programme | March 2017 |
| Public procurement landscape review | April to July 2017 |
| Waste management (waste prevention) | April to July 2017 |
| Waste management (municipal recycling) ² | April to July 2017 |

² In addition to the work on waste prevention and municipal recycling, I will be taking forward a review of waste treatment infrastructure in early 2017.

| Topic | Anticipated publication (as at 3 January 2017) |
|--|---|
| Implementation of the NHS Finances (Wales) Act 2014 (integrated medium term planning) | April to July 2017 |
| Supporting People programme | April to July 2017 |
| NHS Wales informatics services | April to July 2017 |
| Access to public services with the support of specialist interpretation and translation | August to October 2017 |
| Preparations for the implementation of fiscal devolution in Wales (follow-on report) | August to October 2017 |
| Early intervention and behaviour change | TBC ³ |

³ My programme of good practice work has included a project exploring behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. I still anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and plans for its production are still to be confirmed.

Appendix 5

Other future developments

Forthcoming key IFRS changes

Exhibit 13: forthcoming key IFRS changes

| Standard | Effective date | Further details |
|---|----------------|---|
| IFRS 9 Financial instruments | 2018-19 | IFRS 9 financial instruments will replace IAS 39 and includes a new principles based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on an expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39. |
| IFRS 15 Revenue from contracts with customers | 2018-19 | IFRS 15 Revenue from contracts with customers introduces a principles based five step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required. |
| IFRS 16 Leases | 2019-20 | IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting. |

Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared on line. The focus of GPX events include financial management, public sector staff and governance.

Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).

Registration for all events will open two months prior to the event.

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Auditor General for Wales

2017 Audit Plan – Clwyd Pension Fund

Audit year: 2016-17

Date issued: March 2017

Document reference: 185A2017

This document has been prepared for the internal use of Clwyd Pension Fund as part of work performed/to be performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document was produced by John Herniman, Matthew Edwards and Simon Monkhouse.

Contents

2017 Audit Plan

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2017 Audit Plan

Summary

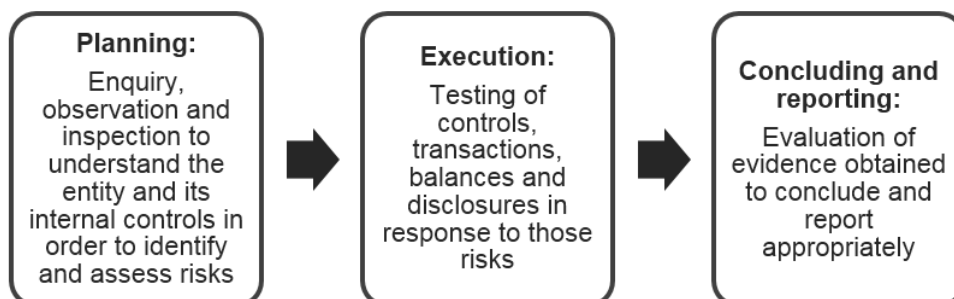
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether the Clwyd Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of Pension Fund accounts

- 4 It is my responsibility to issue a report on the accounting statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.

[Appendix 1](#) sets out my responsibilities in full.
- 5 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



- 6 The risks to my audit of your financial statements are set out in **Exhibit 2** along with the work I intend to undertake to address them.

Exhibit 2: financial statements risks

| Financial statements risk | Proposed audit response |
|---|--|
| <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk in accordance with International Standard on Auditing (ISA) 240.</p> | <p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business. |
| <p>Risks relating to financial systems:</p> <ul style="list-style-type: none"> • there is a risk that the Pension Fund's proposals for bringing forward its accounts preparation deadline to the early June 2017 will give rise to material misstatement as their preparation will involve increased estimation of a number of account figures; • risk that the Pension Fund's high-level financial controls that are relevant to my audit are not designed or operating effectively to prevent and detect material misstatements in the financial statements; and • in prior years we were aware that there were staffing shortages within the pension's administration section which led to delays in the processing of pensions administration tasks which may affect the transactions within the financial statements. | <ul style="list-style-type: none"> • we will ensure that appropriate accounting and disclosure requirements are included within the financial statements. We will also review: <ul style="list-style-type: none"> – the Pension Fund's revised closedown procedures; – the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; and – documentation to support estimates derived and judgements made, and refer to papers provided in support of them. • we will review the design and operation of the high-level financial controls relevant to my audit. • we will review the Council's closedown procedures and liaise with the Head of Pensions to consider whether previous capacity issues give rise to specific accounts risks. |

| Financial statements risk | Proposed audit response |
|--|--|
| <p>Risks related to preparation of the accounts:</p> <ul style="list-style-type: none"> • risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosures. | <ul style="list-style-type: none"> • 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>Risks related to the financial statements:</p> <ul style="list-style-type: none"> • as part of its portfolio, the Pension Fund has substantial holdings in unquoted investments (£567.3 million in 2015-16). They are accounted for at fair value determined by valuations provided by fund managers. • 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. | <ul style="list-style-type: none"> • We will assess whether the information provided by fund managers and their auditors support the year-end valuation; and • 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. |

- 7 I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee and to those charged with governance for Flintshire County Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
- 8 For reporting purposes, I will treat any misstatements below a trivial level (set at 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 9 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

Pension Fund annual report

- 10 In addition to including the pension fund accounts in their main accounting statements, administering authorities are required to publish a pension fund annual report which must include the pension fund accounts.
- 11 I am required to read the Pension Fund annual report and consider whether the information it contains is consistent with the audited Pension Fund accounts included in the Council's main accounting statements.
- 12 I also issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts.

Fee, audit team and timetable

Fee

- 13 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 14 Your estimated fee for 2017 is set out in [Exhibit 3](#). This figure is consistent with the fee set out in the 2016 Annual Audit Outline.

Exhibit 3: audit fee

| Audit area | Proposed fee for 2017 (£) | Actual fee for 2016 (£) |
|---|------------------------------|----------------------------|
| Audit of pension fund accounts ¹ | 39,463 | 39,463 |

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

- 15 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Finance.
- 16 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

Audit team

- 17 The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

Exhibit 4: my team

| Name | Role | Contact number | E-mail address |
|---------------------------------------|-----------------------------------|----------------|--|
| John Herniman | Engagement Lead – Financial Audit | 02920 320566 | john.herniman@audit.wales |
| Matthew Edwards | Financial Audit Manager | 07837 385420 | matthew.edwards@audit.wales |
| Simon Monkhouse (to 28 February 2017) | Financial Audit Team Leader | 01352 702188 | simon.monkhouse@audit.wales |
| Mike Whiteley (from 1 March 2017) | Financial Audit Team Leader | 01352 702185 | mike.whiteley@audit.wales |

- 18 I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

- 19 I will provide reports, or other outputs as agreed, to the Audit Committee, pension committees and to the Council, covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

Exhibit 5: timetable

| Planned output | Work undertaken | Report finalised |
|--|--|----------------------------------|
| 2017 Audit Plan | January to February 2017 | March 2017 |
| Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements | June to September 2017 September 2017 | September 2017 September 2017 |
| 2018 Audit Plan | January to February 2018 | March 2018 |

Future developments

Well-Being of Future Generations (Wales) Act 2015

20 The Well-Being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. In 2017 I will conduct my first work under the Act – the Year One Commentary – to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

Other

21 The Wales Audit Office's Good Practice Exchange (GPX) programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:

- the challenges posed by indirectly provided, publicly funded services in Wales
- how you manage risk around organisation change, service transformation and innovation
- measuring outcomes: who's doing it and how (linked to Well-Being of Future Generations Act)

Appendix 1

Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan 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 Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund accounting statements which includes an opinion on their 'truth and fairness', providing assurance that they:

- are free from material misstatement, whether caused by fraud or error;
- comply with the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and annual report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

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AUDIT COMMITTEE

| | |
|------------------------|--------------------------------|
| Date of Meeting | Wednesday, 15 March 2017 |
| Report Subject | Internal Audit Strategic Plan |
| Cabinet Member | Not Applicable |
| Report Author | Interim Internal Audit Manager |
| Type of Report | Assurance |

EXECUTIVE SUMMARY

All principle local authorities subject to the Accounts and Audit (Wales) Regulations must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. It must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note issued alongside it.

In line with the Standards internal audit must produce a risk based plan, taking into account the need to produce an annual audit opinion and linked to the organisation's objectives and priorities.

The three year Flintshire Internal Audit Strategic Plan is attached, Appendix A. The first year of the plan is completed in greater detail highlighting high priority audits and annual reviews to be completed during the financial year 2017/18 and those medium priority audits that will be scheduled to audit subsequently unless higher priority work is identified through the quarterly monitoring of the plan.

RECOMMENDATIONS

| | |
|---|--|
| 1 | <p>The Committee is requested to consider the Flintshire Internal Audit Strategic Plan and to make comments on its content. In doing so the committee is asked to consider:</p> <ul style="list-style-type: none"> • Does the three year plan for Internal Audit as set out in Appendix A reflect the areas that the Committee believe should be covered? • Does the first year of the plan reflect the areas that should be prioritised? • Is the level of audit resources accepted by the Committee and agreed as appropriate, given the level of assurance required? |
| 2 | <p>The committee is required to approve the Flintshire Internal Audit Strategic Plan for 2017-2020.</p> |

REPORT DETAILS

| 1.00 | EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT |
|-------------|---|
| 1.01 | Each year Flintshire Internal Audit prepare a three year audit plan, with the first year completed in more detail. This 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. |
| 1.02 | The Council's Improvement Plan and the strategic risks within the CAMMs (Risk & Performance Management system) are aligned to the Council's objectives and priorities. The Flintshire Internal Audit plan which is attached is takes into account this objectives and risks in addition to materiality of spend, reputational risk and discussions with management. |
| 1.03 | The final plan was produced after consultation with Portfolio management teams, the Chief Executive and Wales Audit Office. The plan covers various types of work including, but not limited, to risk based, system based, advice & consultancy and value for money projects as well as our involvement in development projects. |
| 1.04 | The plan for 2017/18 has been formulated for the current level of resources, 1125 productive days. Days per audit have not been recorded within the plan attached as days will be allocated to each audit following the opening meeting to ensure appropriate resources are allocated. All high priority audits and annual reviews detailed within the plan will be undertaken within 2017/18. Those medium priority audits will be kept under constant review during quarterly meetings with Chief Officers and their management teams, WAO and bimonthly with the Chief Executive. Any work required to respond to emerging issues or risks may take precedence over the medium priority reviews. |

| 2.00 | RESOURCE IMPLICATIONS |
|-------------|---|
| 2.01 | None from this report. The resources needed for the plan use the resources available. |

| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
|-------------|---|
| 3.01 | Consultation carried out with Portfolio management teams, Chief Officers, the Chief Executive and Wales Audit Office. |

| | |
|-------------|--|
| 4.00 | RISK MANAGEMENT |
| 4.01 | Flintshire Internal Audit is part of the governance framework and provide assurance on governance, risk management and internal control. The plan needs to provide the basis for that assurance over the coming years. |

| | |
|-------------|---|
| 5.00 | APPENDICES |
| 5.01 | Appendix A – Draft Flintshire Internal Audit Strategic Plan – 2017/2020 |

| | |
|-------------|---|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>None.</p> <p>Contact Officer: Lisa Brownbill, Interim Internal Audit Manager Telephone: 01352 702231 E-mail: Lisa.brownbill@flintshire.gov.uk</p> |

| | |
|-------------|--|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>Improvement Plan: the document which sets out the priorities of the Council. It is a requirement of the Local Governance (Wales) Measure 2009 to set Improvement Objective and publish and Improvement Plan.</p> <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Wales Chief Auditors Group: An informal meeting group of Chief Auditors to discuss items of mutual interest.</p> <p>Operational Plan: the annual plan of work for the Internal Audit team.</p> <p>Alternative Delivery Models: operating models which are different from currently or traditional methods of service delivery and which are responding to changed situations to sustain important services.</p> <p>CAMMS: an integrated planning, risk management and programme/project management and reporting system.</p> <p>Risk Management: the process of identifying risk, evaluating their potential consequence and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity</p> |

of their consequences if they occur. Threats are managed by process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.

P2P: Purchase to Pay. An electronic system used within the Authority to manage purchasing.

IDEA: Audit sampling software that enables us to compare large amounts of data to identify matches or duplicates.

Root Cause Analysis: a method of problem solving used for identifying the root causes of faults or problems.

Flintshire Internal Audit

Strategic Plan



2017/18 –
2019/20

Contents

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| Strategic Plan for Internal Audit 2016/17 – 2018/19 | 7 |

Presented to Audit Committee, 15 March 2017

Introduction

This strategic plan sets out the approach we have taken to develop the internal audit plan for 2017 / 2020, the role of Internal Audit has within Flintshire County Council and the approach Internal Audit will take to deliver a professional service to the Council's stakeholders.

The Purpose and Function of Internal Audit:

All principal local authorities subject to the Accounts and Audit (Wales) Regulations 2014 must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. It must make provision for internal audit in accordance with the Standards and the Local Government Application Note issued alongside it. Our professional responsibilities as internal auditors are set out within the Standards, published in 2013 and subsequently revised in 2016.

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. The work is designed to enable the Interim Internal Audit Manager to arrive at her year-end opinion on the adequacy and effectiveness of governance, risk management and the control environment. The Annual Report provides evidence to support the Annual Governance Statement.

Within Flintshire County Council the Internal Audit Charter defines the role, scope, independence, authority, and responsibility of the Internal Audit Department. Audits will be delivered in accordance with that Charter. The team will also be developed during the year in accordance with the Charter and Portfolio Business Plans. Development will continue to be predominantly by the implementation of integrated audit software and increased use of computer assisted audit tools and techniques software (CAATTS) to increase the efficiency of the department.

'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.'

(Public Sector Internal Audit Standards)

Developing the Internal Audit Strategic Plan

In developing the Strategic Plan for 2017/20 and the detailed plan for 2017/18 the starting point is an understanding of the Council's priorities, objectives and risks. We have used a risk based approach and considered the following:

- The draft Improvement Plan 2017/22, including the strategic priorities and objectives of the Council and the risks associated with these;
- Reports by management to Cabinet and Scrutiny Committees;
- Reports to Programme Boards on the management of risks;
- Strategic risks managed within the CAMMS system;
- Areas of concern or requests for coverage from management and the Audit Committee;
- Areas where it is necessary to provide ongoing assurance with regards to key financial systems;
- Other sources of assurance available to the organisation;
- Any recent significant changes within the organisation and its operations and service delivery;
- Reputational and financial risk
- Legislation
- Any external assurance
- Results of previous internal audit coverage; and
- The timing for each internal audit review to maximise the benefit of assurance provided.

We have consulted with management across the organisation to further understand the priorities and associated risk within their Portfolios to understand where internal audit assurance is appropriate.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategic plan includes 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 and the development of the Internal Audit Service.

To ensure the detailed plan is flexible to adapt to local and national issues, risks as they arise, and requests from management, quarterly management meetings have been introduced to continuously monitor and review the plan. All changes will be reported to the Audit Committee.

The strategic plan 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.



Audits covered within the plan

Outline scopes for each review are given in the table on page 8. The following types of audit work will be completed.

Risk Based Audit: This work is based on the strategic or operational risks. The audits examine the objectives of the area under consideration, the risks that may affect the achievement of those objectives and the adequacy and effectiveness of the controls around those risks.

System Based Audit: Predominantly of key financial systems to give assurance that they are operating effectively. Key control reviews will be carried out of all core financial systems with continuing close liaison with our external auditors to maximise audit efficiency.

Follow Up Audit: Specific follow up audits have been planned where there have been a number of recommendations made in previous reviews. There is also a contingency of 30 days to allocate to further follow up reviews as they become necessary.

Advisory Work: Audit time to take part in specific projects or developments, as already requested/agreed with management. Again, there is a contingency of 40 days to cover requests or developments as they arise throughout the year.

Value For Money: Value for money is considered as part of each audit review. In addition, there are a few specific reviews in the plan where that is the focus of the audit.

Schools: We will continue to use Control and Risk Self-Assessment for all schools. This is designed to increase the level of assurance we can provide about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school audit visits.

We will continue to complete school based reviews on risks identified from the self-assessment. A sample of schools will be visited to assess the identified risks.

Grant Claims: As in previous years, time has been assigned to carry out reviews of grant claims.

Counter Fraud: We will continue to conduct investigations in fraud and irregularity during the year. In addition we will continue to participate in the National Fraud Initiative. This matches data across organisations and systems to help identify potentially fraudulent or erroneous claims and transactions. The amount of time allocated, 200 days, is based on experience in previous years, but there is no guarantee that it is accurate. If further resource is needed it may impact on the plan. Conversely, if this amount is not required then it will be allocated to other specific audit tasks.

Resources

The audit plan will be delivered by the in-house team and the plan has been based on the current complement of the audit team and it may be necessary to use external resource to deliver some of the more technical ICT audits. Internal Audit has been requested to undertake a commissioned piece of work. The funding from this work will be used to backfill the post. Apart from that, no reliance will be placed on other sources of assurance.

Based on the current team, Internal Audit has an annual allocation of around **1125** productive working days available for 2017/18. This level of resource is capable of delivering the level of assurance required by the Council and is broadly in line with others across Wales.

Within the plan (detailed on page 8 onwards), the level of audit prioritisation is based on risk analysis and consultation with management. This has taken into consideration the last audit opinion, the length of time since the last audit, last audit opinion, any new developments or links to the draft Improvement Plan, budget materiality, strategic and reputational risk and management concern or priorities. Each area has been assessed and all high priority audits will be undertaken within the financial year 2017/18. To ensure the appropriate resources are allocated for each review, the audit days will be assigned following the scoping meeting.

Those audits rated as medium priority will be kept under constant review through formal quarterly meetings with Chief Officers and their management Team, Chief Executive and Wales Audit Office. Any new priorities or emerging risks may take precedence over those medium priority audits.

This new approach to formulating and managing the audit plan has been discussed with Wales Audit Office, Chief Executive, Section 151 Officer and Chief Officers. By ensuring the plan remains a live working document, Internal Audit has the ability to respond quickly to emerging risk and priorities whilst completing sufficient work in order to be able to give the annual audit opinion on the adequacy and effectiveness of controls, corporate governance and risk management.

Audits identified for the second and third years of the plan are indicative and may change.

CONSIDERATIONS REQUIRED OF AUDIT COMMITTEE

- Does the three year Strategic Plan for Internal Audit (as set out in the table) reflect the areas that the Audit Committee believe should be covered?
- Does the first year of the plan reflect the areas that should be prioritised?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

Strategic Plan for Internal Audit 2017/18 – 2019/20

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|--|-----------------------------------|--|--------------------------------|----------|----------|----------|
| CORPORATE | | | | | | |
| Income from Fees and Charges / Efficiency Savings | | To review the effective implementation of the Fees & Charges policy and the application of delegated responsibility to enforcing this | H | x | | |
| Consultants | | Advisory work on the use of Consultants | Advice & Consultancy | x | | |
| Corporate Governance | | Continuing participation in the Corporate Governance Working Group and further work to provide assurance on overall corporate governance arrangements within the Council | Annual | x | x | x |
| COMMUNITY & ENTERPRISE | | | | | | |
| Single Access Route to Housing (SARTH) | Supportive Council | The review will focus on the controls around the operation of the single housing register following its introduction in April 2015 | H | x | | |
| Strategic Housing and Regeneration Project (SHARP) | Supportive Council | It intended to review the project in terms of progress against defined objectives, performance on the project, management of risk and benefits to the community | H | x | | |

| Audit | | | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|----------------|----------------------|--|-----------------------------------|--|--------------------------------|----------|----------|----------|
| Welsh Standard | Housing Quality | | Supportive Council | The compliance policy will be reviewed with particular attention given to the controls governing the issue of compliance certificates | H | x | x | x |
| | Transient Travellers | | Supportive Council | The audit will establish the arrangements made to ensure compliance with relevant legislation | M | x | | |
| | Housing Rent Arrears | | | The level of housing rent arrears will be reviewed and an assessment will be made of the measures in place to manage the level of debt | M | x | | |
| | Council Tax & NNDR | | | It is intended that the service will carry out a self-assessment of the risks and controls. | Annual | x | x | x |
| | Housing Benefit | | | It is intended that the service will carry out a self-assessment of the risks and controls | Annual | x | x | x |

EDUCATION & YOUTH

| | | | | | | | | |
|--|--|--|--|--|---|--|--|--|
| School Closure (John Summers High Schools) | | | | Ensure arrangements are in place to effectively manage the school closure | H | | | |
| IT Procurement in schools | | | | To review the arrangements in place to procure IT. Particular attention will be given to contract arrangements made with third party providers to ensure compliance with relevant procurement rules and achievement of value for money | M | | | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|--|-----------------------------------|---|--------------------------------|----------|----------|----------|
| Education Grants: Including Education Improvement Grant (EIG) & Professional Development Grant (PDG) | Learning Council | To carry out the annual review of the grant arrangements in line with the requirements of the grant provider | Annual | x | x | x |
| Control and Risk Self-Assessment | | This is the annual self-assessment of the schools control framework (to include governor training) | Annual | x | x | x |
| Risk based thematic reviews across all schools including central controls | | To analyse the results of the control and risk self-assessment and focus Internal Audit resources on reviewing areas identified as high risk, including performance management within schools | Annual | x | x | x |
| GOVERNANCE | | | | | | |
| Procurement - Contract Monitoring (Joint Review) | | Through a joint working arrangement with Denbighshire Internal Audit Team this review will examine the Contract Monitoring arrangements across Flintshire and Denbighshire following the implementation of the Council's CPRs | H | x | | |
| Procurement - Aggregated Spend (Joint Review) | | A joint review with Denbighshire Internal Audit Team this review will examine the aggregated spend across two authorities to ensure compliance with Public Sector Contract Regulations 2006 | H | x | | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|--|-----------------------------------|--|--------------------------------|----------|----------|----------|
| Joint Procurement Arrangement (Joint Review) | | Flintshire and Denbighshire Internal Audit Teams will jointly review whether the Joint Procurement Arrangement in place to determine whether the intended outcomes are being delivered | H | x | | |
| Community Benefits | Connected Council | This audit will examine whether community benefits are being delivered as intended | M | x | | |
| Case Management | | A new legal case management system is being introduced, the review will assess the controls in place over the use of the software | M | x | | |
| Digitisation / Digital Strategy | Connected Council | To provide advice and consultation on the role out of the Digital Strategy | Advice & Consultancy | x | | |
| Data Protection | | To assess the Authority's preparation for the introduction of the general data protection regulation (GDPR) in April 2018 | Annual | x | x | x |
| ORGANISATIONAL CHANGE 1 | | | | | | |
| Post Transfer - Leisure, Libraries & Museum Services | Connected Council | Following transfer, examine internal controls to ensure they remain robust whilst ensuring they provide flexibility to operate commercially | H | x | x | |
| ADM - Facility Services, Leisure & Libraries, Work Opportunities | Connected Council | Advisory - Ongoing consultation | Advice & Consultancy | x | | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|--|-----------------------------------|--|--------------------------------|----------|----------|----------|
| Libraries | | Examined the Libraries Medium Term Plan to determine whether this has been achieved, including a review of the Communities Libraries to ascertain whether they are achieving the desired outcome | M | x | | |
| Clwyd Theatre Cymru (CTC) | Connected Council | CTC is unique in that it is one of the few theatres which is looked after by the authority and as such needs to remain accessible to all. As part of this review, it will be examined as to whether the Theatre has maximised on its events income, taking into account the quality of service delivery, pricing (ticket prices) and remaining accessible to all | M | x | | |
| Future ADM : Bailey Hill, Museums & Archives and any emerging ADMs | Connected Council | Advisory - Future consultation | Advice & Consultancy | x | x | x |
| ORGANISATIONAL CHANGE 2 | | | | | | |
| Community Asset Transfer - Holywell Swimming Pool | Connected Council | An assessment will be carried out of agreements in place with CAT organisations and the effectiveness of the outcomes such as community benefits. End of March 17 | H | x | | |
| Post ADM Transfer - Facilities Services | Connected Council | To review the operational controls in place following the transfer of the service | H | x | | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|--|-----------------------------------|--|--------------------------------|----------|----------|----------|
| Community Asset Transfer - Contract Management - Connah's Quay Swimming Pool | Connected Council | To assess the community benefits achieved following the transfer to the community | M | x | | |
| County Hall Campus | | Following the reorganisation of the accommodation arrangements at County Hall, assess the benefits that have been achieved by the project | M | x | | |
| Property Maintenance | | To review a sample of contracts to ensure compliance with the contract procedure rules | M | x | | |
| CCTV | | Following the appointment of a new contractor to manage the CCTV operations, a review will be carried out to ensure the conditions of the contract are being met | M | x | | |
| Community Asset Transfer - New | Connected Council | A review will be carried out of the process in place to transfer assets to the community | Advice & Consultancy | x | x | x |

PEOPLE & RESOURCES

| | | | | | | |
|--------------------------|--|--|---|---|--|--|
| IR35 Compliance | | Examined the Council's approach to meeting the requirements of the IR35 which comes into effect 3 April 2017 | H | x | | |
| Working Time Regulations | | To examine the Council's overall compliance with the Working Time Regulations (compensatory rest periods). Examining across all Portfolios and Clwyd Theatre Cymru | H | x | | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|--|-----------------------------------|--|--------------------------------|----------|----------|----------|
| Appraisals | | The review will examine the level of compliance with the Appraisal Policy, including both Competency Based and Light Touch Appraisals | M | x | | |
| Workforce Planning | | Following the implementation of the Workforce Strategy review the Council's approach to workforce planning, including, talent management, succession planning and learning and development | | | x | |
| Payroll | | System Based Audit to include any new legislative requirements | Annual | x | x | x |
| E-Teach (Supply Staff) – Payroll and Recruitment | | To provide advice to the E-Teach working group | Advice & Consultancy | x | | |
| Treasury Management | | Examine the Council's approach to Treasury Management, including compliance with the Treasury Management policy | M | x | | |
| Main Accounting – Accounts Payable (AP) / P2P | | Annual review to examine the key controls of the AP and P2P systems | Annual | x | x | x |
| Main Accounting – General Ledger (GL) | | Annual review to examine the key controls of the General Ledger system | Annual | x | x | x |
| Main Accounting – Accounts Receivable (AR) | | Annual review to examine the key controls of the AR System | Annual | x | x | x |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|--|-----------------------------------|--|--------------------------------|----------|----------|----------|
| Corporate Grants | | Following the implementation of the new Corporate Grant system, examine the effectiveness of the system and compliance with the Corporate Grants Policy and Procedures | | | | x |
| Collaborative Planning (CP) | | To provide advice following the implementation of the CP Software to ensure integrity in the assumptions of the project | Advice & Consultancy | x | | |
| Masterpiece Migration & ADM Financial Solution Project | | To provide advice on the Masterpiece Migration & ADM Financial Solution Project | Advice & Consultancy | x | | |
| Finance Modernisation Programme – AR | | To provide advice on the AR project which forms part of Council’s Finance Modernisation Programme | Advice & Consultancy | x | | |
| Accounts Governance Group | | To provide advice to the Accounts Governance Group | Advice & Consultancy | x | x | x |
| PLANNING & ENVIRONMENT | | | | | | |
| Greenfield Valley Heritage Park | | To undertake a follow up review to determine the progress against the agreed actions following the audit on Greenfield Valley Heritage Park | H | x | | |
| Pollution Control | | This review will examine how robust the Authority is in assessing and controlling pollution | H | x | | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|---|-----------------------------------|---|--------------------------------|----------|----------|----------|
| Pest Control | | Review the efficiency of the pest control service, including maximising on income generation for the service | M | x | | |
| Section 106 Agreements | | To undertake a follow up review to determine the progress against the agreed actions following the audit on Section 106 Agreements | M | x | | |
| Planning Enforcement | | To undertake a follow up review to determine the progress against the agreed actions following the audit on Planning Enforcement | M | x | | |
| Section 106 Agreements | | To provide advice and consultancy over the implementation of the agreed actions following the recent audit | Advice & Consultancy | x | | |
| Climate Change & Flood Risk Management | Green Council | Following the restructure, assess the effectiveness of procedures in place to monitor climate change and manage the risk of flooding within the Authority | | | x | |
| SOCIAL SERVICES | | | | | | |
| Social Services Financial Processes (Including Provider Payments) | | Commissioned work to review workflow from point of care plan through to placement, including panel approval, use of PARIS, Health Funding, Financial Management Information | Commissioned Work | x | | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|---|-----------------------------------|---|--------------------------------|----------|----------|----------|
| Commissioning and Contracts | | To review the processes and procedures within the commission and contracts team to ensure compliance with the Council's CPRs and EU Requirements | H | x | | |
| Safeguarding - Adults at Risk | Connected Council | To examine how effective the safeguarding arrangements are in place for Adults at Risk | H | x | | |
| Substance Misuse | | The review will examine how efficient and effective the Council is managing Substance Misuse | M | x | | |
| Deferred Payments on Properties | | Examine the processes in place to ensure deferred payments are managed effectively | M | x | | |
| STREETSCENE & TRANSPORTATION | | | | | | |
| Bereavement Services | | Examine the operational procedures and income generation across the Bereavement Service to ensure its maximising income potential and explore opportunities of alternative working within the Council | H | x | | |
| Integrated Transport Unit (ITU) | Green Council | Examine the operational procedures and contract management arrangements following the implementation of the ITU | H | x | | |
| Community Transport | | Following the launch of Flintshire's Community Transport pilot in February 2017 the review will examine how effective the pilot has been prior to further roll out | M | x | | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|---|-----------------------------------|--|--------------------------------|----------|----------|----------|
| Highways - Cost Recovery | | To determine how effective the Council is in recovering costs following damage to road furniture and the impact 3rd party claims has had on the authority | M | x | | |
| Regional Transport | Ambitious Council | VFM review of the service considering the impact service delivery has on Flintshire, management of the grant subsidy claim and cost analysis of service delivery against income generation | M | x | | |
| Winter Maintenance | | Following on from our earlier work, examine whether robust arrangements are in place to effectively and efficiently manage winter maintenance | | | x | |
| Accounting for Highways Assets Infrastructure | | To provide advice and consultancy over the implementation of the agreed actions following the recent audit | Advice & Consultancy | x | | |
| ITU Project Working Group | | To provide Internal Audit advice to the ITU Project Working group | Advice & Consultancy | x | | |
| EXTERNAL | | | | | | |
| Pensions Administration | | New administration strategy including service standards with members and employers | Annual | x | x | x |
| Pensions Investments | | To assess the management of the funding strategy and compliance with regulations and procedures | Biennial | | x | |

| Audit | Linked to Improvement Plan Themes | Outline Scope | Internal Audit Priority Rating | 2017 /18 | 2018 /19 | 2019 /20 |
|---------------------------------------|-----------------------------------|--|--------------------------------|----------|----------|----------|
| North West Residual Waste Partnership | Green Council | Ongoing Advisory work as lead authority. | Advice & Consultancy | x | x | x |

INVESTIGATIONS, PROVISIONS AND DEVELOPMENT

Provision for investigations and pro-active fraud

Audit Development:

- Develop Control Risk Self-Assessment (CRSA's) for Key Financial Systems
- Develop the use of Computer Assisted Audit Tools Techniques Software (CAATT's) for Key Financial Systems
- Develop the use of Root Cause Analysis

Footnote:

Where possible audits within the plan have been linked to the themes within the Council's draft Improvement Plan for 2017/22. During the year consideration will be given as to how the auditable areas reviewed are working towards and meeting the requirements of the Future Generations Wellbeing Act 2016.

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AUDIT COMMITTEE

| | |
|------------------------|--------------------------------|
| Date of Meeting | Wednesday, 15 March 2017 |
| Report Subject | Forward Work Programme |
| Cabinet Member | Not Applicable |
| Report Author | Interim Internal Audit Manager |
| Category | Advisory |

EXECUTIVE SUMMARY

The Audit Committee presents an opportunity for Members to determine the Forward Work programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix A for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for the Audit Committee.

RECOMMENDATION

| | |
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| 1 | That the Committee considers the draft Forward Work Programme and approve/amend as necessary. |
| 2 | That the Interim Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee be authorised to vary the Forward Work Programme between meetings, as the need arises. |

REPORT DETAILS

| | |
|-------------|---|
| 1.00 | EXPLAINING THE FORWARD WORK PROGRAMME |
| 1.01 | Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers. |

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| 1.02 | <p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"> 1. Will the review contribute to the Council's priorities and/or objectives? 2. Is it an area of major change or risk? 3. Are there issues of concern in governance, risk management or internal control? 4. Is it relevant to the financial statements or financial affairs of the Council? 5. Is there new Government guidance of legislation? 6. Is it prompted by the work carried out by Regulators/Internal Audit? |
| 1.03 | <p>Within the Forward Work Programme for June 2017 a report on the Certification of Grants and Returns Reports (WAO) was due. At the request of the Corporate Finance Manager at the January committee, this has been brought forward to March committee meeting.</p> |

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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | None as a result of this report. |

| | |
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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | Publication of this report constitutes consultation. |

| | |
|-------------|----------------------------------|
| 4.00 | RISK MANAGEMENT |
| 4.01 | None as a result of this report. |

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| 5.00 | APPENDICES |
| 5.01 | Appendix A - Draft Forward Work Programme |

| | |
|-------------|--|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | <p>None.</p> <p>Contact Officer: Lisa Brownbill Interim Internal Audit Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: lisa.brownbill@flintshire.gov.uk</p> |

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| 7.00 | GLOSSARY OF TERMS |
| | <p><u>WAO, Wales Audit Office</u> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that the public bodies in Wales understand how to improve outcomes.</p> <p><u>PSIAS, Public Sector Internal Audit Requirements</u> A set of standards that all Internal Audit teams working in the public sector must comply with.</p> |

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AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2016/17Presented Wednesday, 15th March 2017

| Meeting Date | Agenda Item | Author |
|-------------------|--|-----------------|
| March 2017 | Audit Plan (WAO) | WAO |
| | School Balances | Ian Budd |
| | Annual Improvement Report (WAO) | Karen Armstrong |
| | Treasury Management Update | Liz Thomas |
| | Certification of Grants and Returns Report (WAO) | Liz Thomas |
| | Internal Audit Progress Report | Lisa Brownbill |
| | Internal Audit Strategic Plan | Lisa Brownbill |
| | PSIAS Compliance (Internal) | Lisa Brownbill |
| | Audit Committee Self-Assessment | Lisa Brownbill |
| | Audit Committee Action Tracking | Lisa Brownbill |
| | Forward Work Programme | Lisa Brownbill |
| | Private Meeting (WAO and IA) | Lisa Brownbill |

| Meeting Date | Agenda Item | Author |
|------------------------|--|-----------------|
| June 2017 | Treasury Management Update and Annual Report 2015/16 | Liz Thomas |
| | Annual Improvement Report (WAO) | Karen Armstrong |
| | Risk Management Update | Karen Armstrong |
| | Financial Procedure Rules | Sara Dulson |
| | Asset Disposals and Capital Receipts | Neal Cockerton |
| | Internal Audit Annual Report | Lisa Brownbill |
| | Internal Audit Progress Report | Lisa Brownbill |
| | Annual Report on External Inspections | Lisa Brownbill |
| | PSIAS Compliance – External Assessment | Lisa Brownbill |
| | Audit Committee Action Tracking | Lisa Brownbill |
| Forward Work Programme | Lisa Brownbill | |
| July 2017 | Draft Statement of Accounts | Gary Ferguson |
| | Supplementary Financial Information to Draft Statement of Accounts 2016/17 | Liz Thomas |
| | Draft Annual Governance Statement | Karen Armstrong |

| Meeting Date | Agenda Item | Author |
|-----------------------|--|--------------------|
| September 2017 | Statement of Accounts 2016/17 | Gary Ferguson |
| | Supplementary Financial Information to Statement of Accounts | Gary Ferguson |
| | Audit of Financial Statements (WAO) | Wales Audit Office |
| | Corporate Governance Report | Karen Armstrong |
| | Contract Procedural Rules update | Gareth Owens |
| | Internal Audit Progress Report | Lisa Brownbill |
| | Audit Committee Action Tracking | Lisa Brownbill |
| | Forward Work Programme | Lisa Brownbill |

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AUDIT COMMITTEE

| | |
|------------------------|---------------------------------|
| Date of Meeting | Wednesday, 15 March 2017 |
| Report Subject | Audit Committee Self-Assessment |
| Cabinet Member | Not Applicable |
| Report Author | Interim Internal Audit Manager |
| Type of Report | Assurance |

EXECUTIVE SUMMARY

The report shows the results of the Audit Committee self-assessment carried out in February 2017. This will feed into the preparation of the Annual Governance Statement 2016/17. It will also form the basis for the provision of any training or development required by the committee.

The results have been analysed and compared to the previous year. Members' comments have also been taken into account. The detail is given in Appendix A. Average scores for most of the questions have increased since last year.

The average score for question 7, value for money, increased for the second year from 3.9 to 4.3. This reflects the increased focus on this area with several Internal Audit reports highlighting value for money issues.

However, the average score for question 8, Fraud, decreased from 4 to 3. Comments highlighted a lack of awareness when reviewing Fraud Risks against standards.

RECOMMENDATIONS

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|---|---|
| 1 | That the committee considers the results and reaches a decision on any action required, further information needed, or development or training required, individuals or collectively. |
|---|---|

REPORT DETAILS

| | |
|-------------|--|
| 1.00 | EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT |
| 1.01 | The Chartered Institute of Public Finance and Accountancy (CIPFA) published 'Audit Committee – Practical Guidance for Local Authorities and Police' in |

| | |
|------|--|
| | December 2013, with the aim of providing CIPFA's view of best practice for Audit Committees and of supporting them in operating effectively. The guidance includes a self-assessment questionnaire on Evaluating the Effectiveness of the Audit Committee. |
| 1.02 | The Audit Committee itself is part of the governance framework of the Authority. It is therefore appropriate for the self-assessment questionnaire to be completed as part of the preparation for the Annual Governance Statement for 2016/17 which reports on overall governance within the Authority and will be published with the annual accounts. |

| | |
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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | None from the report itself. Resources may be required to address any actions or development needs identified. |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | Summary results compiled from questionnaires completed by Audit Committee members. |

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| 4.00 | RISK MANAGEMENT |
| 4.01 | The Audit Committee is part of the governance framework for the Authority. It therefore must function effectively to fulfil its role. This process allows the committee to assess how effective it is and take action to mitigate any deficiencies. |

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| 5.00 | APPENDICES |
| 5.01 | Appendix A – Summary of responses to the self-assessment questionnaires. |

| | |
|-------------|--|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | None. Contact Officer: Lisa Brownbill, Interim Internal Audit Manager Telephone: 01352 702231 E-mail: Lisa.brownbill@flintshire.gov.uk |

| | |
|------|---|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basis principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> |

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Evaluating the Effectiveness of the Audit Committee

Appendix A

| Assessment Key | |
|-----------------------|--|
| 5 | Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable. |
| 4 | Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area. |
| 3 | The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps. |
| 2 | There is some evidence that the committee has supported improvements, but the impact of this support is limited. |
| 1 | No evidence can be found that the Audit Committee has supported improvements in this area. |

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| Areas where the Audit Committee can add value by supporting improvement | Examples of how the Audit Committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness: Comments received from Member | Overall Assessment Scoring of 1-5 (See key above) | |
|--|---|---|--|---|
| | | | Average Score <i>(last years in brackets)</i> | Range of Scores <i>(last years in brackets)</i> |
| 1. Promoting the principles of good governance and their application to decision making. | 1. Providing robust review of the AGS and the assurances underpinning it. 2. Working with key members/governors to improve | Yes, to the first four. Provides info to all questions that are not clearly understood. | 3.8 <i>(LY 3.8)</i> | 2-5 <i>(LY 3-5)</i> |

| Areas where the Audit Committee can add value by supporting improvement | Examples of how the Audit Committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness: Comments received from Member | Overall Assessment Scoring of 1-5 (See key above) | |
|---|--|---|---|--|
| | | | Average Score <i>(last years in brackets)</i> | Range of Scores <i>(last years in brackets)</i> |
| | their understanding of the AGS and their contribution to it. 3. Supporting reviews/audits of governance arrangements. 4. Participating in self-assessments of governance arrangements. | | | |
| 2. Contributing to the development of an effective control environment. | 1. Monitoring the implementation of recommendations from auditors. 2. Encouraging ownership of the internal control framework by appropriate managers. 3. Raising significant concerns over controls with appropriate senior managers. | Yes to all. Clearly done. | 4.8 <i>(LY 3.5)</i> | 4-5 <i>(LY 2-5)</i> |
| 3. Supporting the | 1. Reviewing risk management | Yes to all. | 4.3 | 3-5 |

| Areas where the Audit Committee can add value by supporting improvement | Examples of how the Audit Committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness: Comments received from Member | Overall Assessment Scoring of 1-5 (See key above) | |
|---|--|---|---|--|
| | | | Average Score <i>(last years in brackets)</i> | Range of Scores <i>(last years in brackets)</i> |
| establishment of arrangements for the governance of risk and for effective arrangements to manage risks. | <ul style="list-style-type: none"> arrangements and their effectiveness, e.g. risk managements benchmarking. 2. Monitoring improvements. 3. Holding risk owners to account for major/strategic risks. | Risk is a key factor but arrangements to improve are effective. | (LY 3.7) | (LY 2-5) |
| 4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively. | <ul style="list-style-type: none"> 1. Specifying its assurance needs, identifying gaps or overlaps in assurance. 2. Seeking to streamline assurance gathering and reporting. 3. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit. | Yes to all. Working well. | 4.3 (LY 3.9) | 4-5 (LY 2-5) |
| 5. Supporting the quality of the internal audit activity, particularly by underpinning its | <ul style="list-style-type: none"> 1. Reviewing the audit charter and functional reporting arrangements. 2. Assessing the effectiveness of | Yes to both. Working Well. | 4.5 (LY 4.4) | 4-5 (LY 3.5 – 5) |

| Areas where the Audit Committee can add value by supporting improvement | Examples of how the Audit Committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness: Comments received from Member | Overall Assessment Scoring of 1-5 (See key above) | |
|---|---|---|---|--|
| | | | Average Score <i>(last years in brackets)</i> | Range of Scores <i>(last years in brackets)</i> |
| organisational independence. | internal audit arrangements and supporting improvements. | | | |
| 6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements. | <ol style="list-style-type: none"> 1. Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. 2. Reviewing the effectiveness of performance management arrangements. | <p>Yes to both.</p> <p>With no foreseen problems from WAO. Achievement is reached.</p> | <p>4.3</p> <p>(LY 3.3)</p> | <p>3-5</p> <p>(LY 3-5)</p> |
| 7. Supporting the development of robust arrangements for ensuring value for money. | <ol style="list-style-type: none"> 1. Ensuring that assurance on value for money arrangements is included in assurances received by the Audit Committee. 2. Considering how performance in value for money is evaluated as part of the AGS. | <p>Yes to both.</p> <p>We achieve VFM Value performance is essential.</p> | <p>4.5</p> <p>(LY 3.9)</p> | <p>4-5</p> <p>(LY 3-5)</p> |
| 8. Helping the | 1. Reviewing arrangements | Yes to second one. | 3.0 | 1-4 |

| Areas where the Audit Committee can add value by supporting improvement | Examples of how the Audit Committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness: Comments received from Member | Overall Assessment Scoring of 1-5 (See key above) | |
|---|--|--|---|--|
| | | | Average Score <i>(last years in brackets)</i> | Range of Scores <i>(last years in brackets)</i> |
| authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. | <p>against the standards set out in CIPFA's <i>Managing Risk of Fraud</i> (Red Book 2).</p> <p>2. Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> | <p>Some problems but overall fraud risk is low</p> <p>If we have ever done this item I must have nodded off during the discussion.</p> | (LY 4) | (LY 3-5) |

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