

# Public Document Pack



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To: Cllr Helen Brown (Chair)

Councillors: Glyn Banks, Jean Davies, Chris Dolphin, Andy Dunbobbin,  
Paul Johnson and Arnold Woolley

**Co-opted Member:**  
Sally Ellis

16 January 2018

Dear Sir/Madam

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 24th January, 2018 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 - 10)

**Purpose:** To confirm as a correct record the minutes of the meeting on 22 November 2017.

### 4 TREASURY MANAGEMENT 2018/19 STRATEGY AND QUARTER 3 UPDATE 2017/18 (Pages 11 - 52)

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

**Purpose:** 1.01 To present to Members the draft Treasury Management Strategy 2018/19 for comments and recommendation for approval to Cabinet.

1.02 To provide an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices to the end of December 2017.

5 **CHANGES TO STATUTORY DEADLINES FOR THE PUBLICATION OF LOCAL AUTHORITY STATEMENT OF ACCOUNTS** (Pages 53 - 58)

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

**Purpose:** Welsh Government are intending to change the statutory deadlines for Local Authorities to publish their Statement of Accounts. The report summarises the Council's planned approach to respond to the changes which would introduce earlier deadlines for 2017/18 and 2020/21 financial years.

6 **MID YEAR RISK REPORT** (Pages 59 - 76)

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

**Purpose:** To endorse the Council's actions taken to mitigate the significant risks at the mid year point.

7 **CODE OF CORPORATE GOVERNANCE** (Pages 77 - 110)

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

**Purpose:** To endorse the review of the code of Corporate Governance.

8 **CONTRACT MANAGEMENT** (Pages 111 - 124)

Report of Chief Officer (Governance) - Cabinet Member for Corporate Management and Assets

**Purpose:** To update the Committee on an audit review of contract management.

9 **WALES AUDIT OFFICE (WAO) – ANNUAL AUDIT LETTER 2016/17** (Pages 125 - 132)

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

**Purpose:** The letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004, and reporting responsibilities under the Code of Audit Practice for the financial year 2016/17.

10 **INTERNAL AUDIT PROGRESS REPORT** (Pages 133 - 168)

Report of Internal Audit Manager -

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

11 **ACTION TRACKING** (Pages 169 - 174)

Report of Internal Audit Manager -

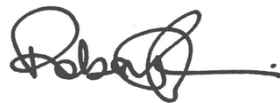
**Purpose:** To inform the Committee of the actions resulting from points raised at previous Audit Committee meetings.

12 **FORWARD WORK PROGRAMME** (Pages 175 - 182)

Report of Internal Audit Manager -

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

Yours faithfully



Robert Robins  
Democratic Services Manager

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## **AUDIT COMMITTEE** **22 NOVEMBER 2017**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 22 November 2017

### **PRESENT: Councillor Helen Brown (Chair)**

Councillors: Chris Dolphin, Andy Dunbobbin, Paul Johnson and Arnold Woolley  
Co-opted member: Sally Ellis

**APOLOGIES:** Councillors: Glyn Banks and Jean Davies

**ALSO PRESENT:** Councillor Patrick Heesom attended as an observer

### **IN ATTENDANCE:**

Chief Executive; Chief Officer (Governance); Internal Audit Manager; Corporate Finance Manager; and Democratic Services Officer

John Herniman and Matthew Edwards of Wales Audit Office

Finance Manager - Technical Accountancy (for minute number 33)

## **31. DECLARATIONS OF INTEREST**

None were received.

## **32. MINUTES**

The minutes of the meeting held on 27 September 2017 were submitted.

Minute number 29: Forward Work Programme - Councillor Dolphin referred to his comments on youth clubs. He questioned the decision to close the youth club in Holywell as it had a much better record of anti-social behaviour than others which remained open. The Chief Executive said that this would be followed up once the recruitment process had been completed. As a point of accuracy, he said that the minutes should have referred to the Youth Service and not the Youth Club Service.

### **RESOLVED:**

That subject to the amendment, the minutes be approved as a correct record and signed by the Chair.

## **33. TREASURY MANAGEMENT MID-YEAR REVIEW 2017/18 AND QUARTER 2 UPDATE**

The Finance Manager - Technical Accountancy presented the draft Treasury Management mid-year report for 2017/18 prior to consideration by Cabinet. An update on Quarter 2 was shared for information.

The Finance Manager explained the complex regulatory changes of the second Markets in Financial Instruments Directive (MiFID II) which came into effect from January 2018. This required councils to be categorised by regulated financial services firms as retail clients unless they chose to 'opt up' to become professional clients, subject to meeting criteria. Having assessed both options, the officer recommendation was for the Council to maintain its current professional status due to the limited benefits available to retail clients and possible higher transaction costs. The status would be reviewed regularly to ensure it met the Council's needs.

The update on Quarter 2 set out the current position on treasury management activities and the impact of the recent rise in interest rates on the Council's borrowing strategy. Long-term borrowing need was being closely monitored due to the lower rates of short-term borrowing at the present time. The Committee was reminded of the forthcoming Treasury Management training session which was open to all Members. The report also provided information on financing the costs of borrowing including comparison with other councils, as requested at the July meeting.

Sally Ellis asked about the impact of proposed changes to the Prudential Code on the Council's subsidiaries. The Finance Manager advised that a revised Code had not yet been published and that any changes would be required to take effect from 2019 but were recommended for 2018/19 onwards. It was intended that the calculations in accordance with the Code would be widened to include subsidiaries. In the case of Flintshire, this would include the new companies which had been set up but did not apply to Aura Leisure & Libraries. On the criteria for becoming a professional client under MiFID II, she explained that the professional qualifications and experience of the officers were considered sufficient to meet the criteria. On a query regarding a specific loan within the debt maturity profile, assurance was given that all loans had been factored into borrowing requirements.

**RESOLVED:**

- (a) That the draft Treasury Management Mid-Year Report 2017/18 be recommended to Cabinet on 19/12/17; and
- (b) That the Committee recommends to Cabinet that the Council elects to 'opt up' to professional client status by regulated financial services firms as a result of the second Markets in Financial Instruments Directive (MiFID II) as explained in paragraphs 1.09-1.15.

**34. USE OF CONSULTANTS**

The Chief Executive presented the report on the annual review of compliance with processes to give assurance on the effective management of consultancy spend. This included an evaluation of the work, value and impact obtained from the small number of consultants engaged at a value of £25K or more in 2016/17.

The Committee was reminded of background to the issue where previous audit work had identified mis-coding of consultancy spend on the general ledger which had led to inaccurate reports on the cost of consultants and challenge by the Committee. The new processes for authorising and managing consultancy spend

were supported by business cases to assess need prior to the engagement, whilst post-assignment reviews demonstrated how objectives had been met and identified learning for passporting to future Council projects. The outcome of the audit review in 2016 gave assurance on the effectiveness of the new system in controlling and monitoring use of consultants and associated spend.

The Chief Executive said that the £81,824 total spend on consultants in 2016/17 was a reflection of the work undertaken and demonstrated low spend by Flintshire on consultancy in comparison to other councils. He provided explanation on the one consultant with a value over £25K for the period and also on the 'live' consultancy engagement in 2017/18 which was a review and maintenance of the pay and grading structure needed under the Single Status agreement.

The Internal Audit Manager explained the advisory nature of the audit which gave assurance of good controls on business cases and accuracy of coding, with rigorous challenge applied to business cases and extensions to contracts. She noted that a shift in culture was a contributing factor to the outcomes.

In acknowledging this, Councillor Johnson suggested a regular review of the £25K threshold for consultancy engagements requiring approval by the Chief Executive (as well as the Chief Officer) to assess whether it could be increased. The Chief Executive said that this could be accommodated annually as part of Financial or Contract Procedure Rules.

In response to comments from Councillor Woolley about the monitoring of consultant spend below the £25K threshold, assurance was given that all requests required a business case and authorisation by the relevant Chief Officer and were recorded on the database.

Following information on the consultants engaged by the Council in 2016/17, officers noted Councillor Johnson's request that future reports include details of whether the firms were national or local.

**RESOLVED:**

That the Committee is assured that expenditure on consultants is being controlled and the Council is achieving value for money.

**35. FINANCIAL PROCEDURE RULES**

The Corporate Finance Manager presented the updated Financial Procedure Rules (FPRs) for the Committee to endorse and recommend to County Council.

Following the last update in 2015, a review had identified minor changes to reflect updated procedures and service delivery methods. The proposed increase to the virement threshold requiring Cabinet approval (from £75K to £100K) allowed Chief Officers greater flexibility for transfers in their service areas whilst maintaining financial control in the current climate. Virements below the threshold were monitored by Corporate Finance and any changes were reported as part of the

budget monitoring updates to Cabinet and Corporate Resources Overview & Scrutiny Committee.

**RESOLVED:**

That the updated Financial Procedure Rules be endorsed and recommended for submission to Council.

**36. JOINT PROTOCOL BETWEEN INTERNAL AUDIT AND WALES AUDIT OFFICE**

The Internal Audit Manager presented the updated Protocol between Internal Audit and the Auditor General for Wales and Wales Audit Office (WAO).

Since last updated in 2015, the Protocol had been refreshed to ensure it reflected current practice and met requirements. No major changes had been made except to update details of the internal and external teams. Quarterly meetings between both parties were held to discuss progress and planning.

Matt Edwards said that it was good practice to develop the framework to formalise working relationships and capture the roles of all involved.

Sally Ellis asked if similar protocols were in place to give assurance of working arrangements with other bodies, such as the Department of Work & Pensions. The Internal Audit Manager explained that this could be identified as part of the assurance mapping process.

**RESOLVED:**

That the Protocol be accepted as the basis for the ongoing co-operation between the internal and external auditors.

**37. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the update on progress of the Internal Audit department.

On action tracking, there were only two outstanding which demonstrated the effectiveness of the system in holding managers to account for their respective areas. The involvement of ICT business partners on timescales would also have a positive effect on action tracking. On the operational Plan, there had been 11 new requests for additional work.

Following a query by Councillor Johnson, it was explained that delays to the high priority audit for Greenfield Valley Heritage Park were to allow time for the establishment of the new Board of Trustees.

The Chief Executive welcomed the achievement of all targets on performance indicators and said that this reflected the improved working practices led by the Internal Audit Manager.



**RESOLVED:**

That the report be accepted.

**38. ACTION TRACKING**

The Internal Audit Manager presented the progress update report on actions arising from previous meetings.

During discussion on School Transport operations, Members were encouraged to attend the forthcoming workshop to discuss the closedown of operational issues, review in-year arrangements and consider future post-16 educational provision.

**RESOLVED:**

That the report be accepted.

**39. FORWARD WORK PROGRAMME**

The Internal Audit Manager presented the Forward Work Programme for consideration, including a request from the Constitution & Democratic Services Committee. Members were asked to indicate their preferences for the pattern of meetings for the Committee which were currently held on a Wednesday morning.

Councillor Dunbobbin spoke about the need for flexibility on meetings so that they were accessible to all attendees, whatever their commitments. He felt that a wider discussion was required to instigate such a cultural change and asked that his comments be noted.

The Chief Officer (Governance) explained that the purpose of the request was to enable each committee to determine its own meeting pattern.

Councillor Dolphin referred to the challenges in encouraging younger people to become elected Members. He also spoke about the commitments of Members which presented difficulties when meeting dates were changed during the year.

In support of his earlier comments and in an attempt to initiate a small change in the hope of a wider discussion, Councillor Dunbobbin proposed that the meetings be held on a rotational basis of 10am/3pm/4.30pm. This was seconded by Councillor Johnson. On being put to the vote, this was lost.

Councillor Johnson spoke against the option for 6pm meetings due to the impact on commitments of both Members and officers, and said that Trade Unions should be consulted.

It was pointed out by Councillor Woolley that any requirement for Members to attend evenings meetings could have a negative impact on their involvement with activities in the voluntary sector.

In response to a question from Councillor Johnson on the Forward Work Programme, officers explained that the remit of the Committee should not overlap with that of Overview & Scrutiny.

The Internal Audit Manager gave an example whereby concerns about particular topics were picked up as part of audit work.

The Chief Executive said that the Committee was able to request that audit work on a topic of interest be included on the Forward Work Programme, even if it had not been given a 'red' assurance rating.

Councillor Woolley referred to the protocol of submitting items of interest to the relevant Overview & Scrutiny committee and said that those committees were able to passport issues of concern to the Audit Committee.

To give further reassurance to the Committee, the Chief Officer gave examples of topics which had been considered as a result of Members' concerns. The Forward Work Programme item on every agenda provided further opportunity to submit items of concern.

The Chair took the opportunity to thank John Herniman of Wales Audit Office (WAO) for his support to the Committee during his time working with Flintshire as this was the last meeting he would attend.

**RESOLVED:**

- (a) That the Forward Work Programme be accepted; and
- (b) That the 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.
- (c) That the Committee would prefer to continue to meet at 10am on Wednesdays, noting that Councillor Dunbobbin's comments about the need for a wider discussion on the flexibility of meetings to accommodate Members' commitments be included in the report back to the Constitution & Democratic Services Committee.

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

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

The meeting commenced at 10am and finished at 11.20am

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**Chair**



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 24 January 2018
<b>Report Subject</b>	Treasury Management Strategy 2018/19 Treasury Management Quarter 3 Update 2017/18
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The report presents the draft Treasury Management Strategy 2018/19 for review and seeks the Committee's approval.

The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2017/18:

- 3<sup>rd</sup> quarter update 1<sup>st</sup> October – 31<sup>st</sup> December 2017, presented for the Committee's information.

### RECOMMENDATIONS

1	Members review and approve the draft Treasury Management Strategy 2018/19 identifying any matters to be drawn to the attention of Cabinet on 20 <sup>th</sup> February 2018.
2	Members note the Treasury Management 2017/18 quarterly update.

### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE CHANGES TO THE POLICY STATEMENT, STRATEGY AND PRACTICES</b>
	<b><u>BACKGROUND</u></b>
1.01	The Local Government Act 2003 requires all local authorities to have due

	regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.
1.02	<p>The Council has adopted the CIPFA Code of Practice (2011 edition) which requires:-</p> <ul style="list-style-type: none"> <li>• The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities.</li> <li>• The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.</li> <li>• The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.</li> <li>• Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's <i>Standard of Professional Practice on Treasury Management</i>.</li> <li>• A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.</li> </ul>
1.03	<p>The Welsh Government guidance on Local Authority investments requires that the Council prepares an Investment strategy before the start of each financial year which sets out the Council's policies for the prudent management of its investments, giving priority, firstly to the security of those investments (protecting the capital sum from loss), and secondly liquidity (keeping money readily available for expenditure). The generation of investment income is distinct from these prudential objectives, however provided that proper levels of security and liquidity are achieved, it may (but only then) be reasonable to seek the highest yield consistent with those priorities.</p>
1.04	<p>The guidance stipulates that the investment strategy must also include the following:</p> <ul style="list-style-type: none"> <li>• Specified Investments</li> <li>• Non-specified Investments</li> </ul>

	<ul style="list-style-type: none"> <li>• Credit Risk Assessment</li> <li>• Investment Consultants</li> <li>• Investment Training</li> <li>• Investment of money borrowed in advance of need.</li> </ul>
1.05	In preparation for approving the 2018/19 Treasury Management Strategy training for all Members was held on 4 <sup>th</sup> December 2017. The workshop presented by Arlingclose, the Council's Treasury Management advisors covered a detailed introduction to Treasury Management in Local Authorities, including the regulatory framework and the role of the elected Member in scrutinising the Treasury Management function. The training included an in depth presentation on investments and borrowing.
	<b><u>CONSIDERATIONS</u></b>
	<b><u>Changes to CIPFA's Codes of Practice - Treasury Management Code 2017 and Prudential Code for Capital Finance in Local Authorities 2017</u></b>
1.06	CIPFA published new editions of the Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance and the Prudential Code for Capital Finance in late December 2017 which complement each other.
1.07	<p>The 2017 edition of the Prudential Code for Capital Finance has expanded objectives and includes a requirement for authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources, and ensure that decisions are being made with sufficient regard to the long term financing implications and potential risks to the authority.</p> <p>The code introduces the requirement for a Capital Strategy which sets out the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Its intention is to give a high level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability, linking the Capital Strategy with the Treasury Management Strategy.</p>
1.08	<p>In the 2017 edition of the Treasury Management Code the definition of 'investments' has been widened to include all financial assets as well as non-financial assets held primarily for financial returns such as investment property. All investments will require appropriate investment management and risk management framework, including investments which are not managed as part of traditional treasury management.</p> <p>A new section within the Treasury Management Practices and Schedules has been added to cover investments made for reasons other than treasury management activity. Examples of these include loans supporting service outcomes, investment in subsidiaries and investment property portfolios.</p> <p>Other more minor amendments have been made to the Treasury Management Practices and Schedules.</p>

1.09	<p>The Council already has a Capital Strategy and Asset Management Plan in place and considers that it prudently assesses the long-term context of capital expenditure and any non-treasury investment decisions, and their associated risks and rewards on future financial sustainability. Nevertheless, the requirements of the changes of both codes in paragraphs 1.07 and 1.08 above will need to be worked through with careful consideration to ensure compliance with the requirements of the Codes. Appropriate risk management frameworks and reporting mechanisms will also need to be further developed in consultation with Chief Officers and Members and will take some time.</p> <p>CIPFA have yet to publish the updated guidance notes to both Codes which will include examples and more detailed practical guidance. These guidance notes are needed to assist the Council in interpreting the practical implications of the updated Codes.</p> <p>Due to the timing of the publications, and the need to set the Treasury Management Strategy for 2018/19 before the start of the financial year, it is appropriate to set the strategy for this year under the 2011 requirements. This is the approach being recommended by our treasury management advisors.</p>
	<p><b>2018/19 Treasury Management Policy Statement, Strategy and Practices</b></p>
1.10	<p>The Treasury Management Policy Statement was approved by Council in February 2016 and covers the 3 year period from 2016/17 to 2018/19. This document defines the Council's treasury management activities, sets out the Council's criteria to measure the effectiveness of treasury management activities and includes the Council's high level policies for borrowing and investments. Once approved, it was agreed that the document only be reported to Members during its lifetime in the event of any significant changes. There is no change to this document.</p>
1.11	<p>Similarly the Treasury Management Practices (TMPs) and accompanying schedules to cover the 3 year period from 2016/17 to 2018/19 were approved in February 2016 and it was agreed that these operational documents will only be reported to Members during its lifetime in the event of any significant changes.</p> <p>The TMPs and schedules state how treasury management policies and objectives will be achieved and give specific details of the systems and routines employed and the records to be maintained including:-</p> <ul style="list-style-type: none"> <li>• TMP 1 Treasury risk management</li> <li>• TMP 2 Performance measurement</li> <li>• TMP 3 Decision-making and analysis</li> <li>• TMP 4 Approved instruments, methods and techniques</li> <li>• TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements</li> <li>• TMP 6 Reporting requirements and management information arrangements</li> <li>• TMP 7 Budgeting, accounting and audit arrangements</li> </ul>

	<ul style="list-style-type: none"> <li>• TMP 8 Cash and cash flow management</li> <li>• TMP 9 Money laundering</li> <li>• TMP 10 Staff training and qualifications</li> <li>• TMP 11 Use of external service providers</li> <li>• TMP 12 Corporate governance</li> </ul>
1.12	<p>Following the publication of the 2017 edition of the Treasury Management Codes a review of existing practices and schedules has been undertaken and as a result a small number of minor changes have been made to the TMPs and schedules.</p> <ul style="list-style-type: none"> <li>• TMP 1 Risk Management. Inflation risk reintroduced to the practice and schedule. Minor amendment to refinancing risk to include any financial guarantees given and market risk management now renamed price risk management.</li> <li>• TMP 4 Approved Instruments, Methods and Techniques. Reference to the classification of the Council by financial institutions under MIFID II has been added to the practice, with a list of those institutions and their classification included in the schedule.</li> </ul>
	<u>Treasury Management Strategy 2018/19</u>
1.13	<p>The 2018/19 Treasury Management Strategy is attached at Appendix 1 for review and discussion. The Strategy is updated and reported annually to Members in accordance with the CIPFA Code of Practice (2011 edition) and Welsh Government guidance.</p> <p>The Treasury Management Strategy details the approach that the Council will take for investing and borrowing over the next year, including the budgetary implications of the planned investment and borrowing strategy, and a number of treasury management indicators that the CIPFA Code requires.</p>
1.14	<p>The 2018/19 Strategy has not changed significantly from that of the 2017/18 Strategy. Matters that merit the attention of Members are summarised below:-</p> <ul style="list-style-type: none"> <li>• Section 2 – Economic context, provided by Arlingclose, the Council’s treasury management advisor, and highlights that the major external influence on the strategy is negotiating the UK’s exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.</li> <li>• Section 4 – Local context. This section summarises the anticipated treasury position in 2018/19. Activity in 2018/19, as in 2017/18 will focus more on borrowing and less on investing; as the Council’s requirement to borrow is forecast to grow due to a planned increase in capital expenditure, and there is less surplus cash to invest as services plan to spend reserves.</li> </ul>

	<ul style="list-style-type: none"> <li>• Section 5 – Investment Strategy. This section is largely a continuation of the 2017/18 strategy, the aim being to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.</li> <li>• Section 6 - Borrowing Strategy. Again, this section is largely a continuation of the 2017/18 strategy. The Council continues to forecast a significant long term borrowing requirement. The required amounts needs to be confirmed before a commitment to long term borrowing is made and the use of short term borrowing will be used to assist during this period.</li> </ul>
	<b><u>Treasury Management 2017/18 Quarter 3 Update</u></b>
1.15	<p><u>Investments update</u></p> <p>A schedule setting out the Council’s investments at 31<sup>st</sup> December 2017 is attached at Appendix 2. The investment balance at this time was £14.7m across 6 counterparties with an average interest rate of 0.41%.</p>
1.16	<p><u>Borrowing update</u></p> <p>Appendix 3 shows the Council’s long term borrowing portfolio as at 31<sup>st</sup> December 2017. A loan of £1.6m matured during the quarter which was repaid. The total long-term borrowing stands at £252.1m with a weighted average interest rate of 4.95%.</p> <p>Appendix 4 shows the Council’s short-term borrowing portfolio as at 31<sup>st</sup> December 2017, a total of £37.1m with an average interest rate of 0.45% of short-term borrowing.</p> <p>Appendix 5 is a graph showing the investment and short term borrowing position for 2017/18 to date.</p> <p>The borrowing strategy in 2017/18 has been to monitor capital expenditure to confirm the Council’s long term borrowing need. This was to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. The graph in appendix 5 and the amounts of short term borrowing undertaken throughout the year have confirmed the borrowing requirement. Short term borrowing continues to be available at much lower rates than long term and is currently being utilised as far as possible without taking on excessive refinancing risk. This position will be reviewed and monitored closely during the last few months of 2017/18 with support from Arlingclose.</p>
	<u>MiFID II Update</u>
1.17	<p>Further to the second quarter update to the Committee in November 2017, where the impacts of the change in EU legislation called MiFID II (Markets in Financial Instruments Directive) brought in from 3<sup>rd</sup> January 2018 were reported, activity has focused on applying to ‘opt up’ to professional status.</p>



	<p>The Council has now been approved as professional by nine financial institutions, with three more awaiting confirmation to opt up to professional status. This was necessary to maintain the Councils professional status prior to the January 2018 deadline and will allow the Council to continue to have access to products including money market funds, and to financial advice from advisors and brokers etc.</p> <p>The Council's investment balance levels have increased as anticipated due to the quantitative requirements to maintain a £10m investment portfolio at all times for professional status.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications are set out within this report and supporting appendices; there are no other resource implications directly as a result of this report.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Risk Management directly addressed within the appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<ol style="list-style-type: none"> <li>1. Draft Treasury Management Strategy 2018/19</li> <li>2. Investment Portfolio as at 31 December 2017</li> <li>3. Long-term Borrowing Portfolio as at 31 December 2017</li> <li>4. Short-term Borrowing Portfolio as at 31 December 2017</li> <li>5. Graph showing investments and short term borrowing in 2017/18 to date</li> </ol>

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

7.00	GLOSSARY OF TERMS
7.01	<p><b>Authorised Limit:</b> A statutory limit that sets the maximum level of external debt for the Council.</p> <p><b>Balances and Reserves:</b> Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p><b>Bank Rate:</b> The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".</p> <p><b>Basis Point:</b> 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.</p> <p><b>Bond:</b> 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.</p> <p><b>Capital Expenditure:</b> Expenditure on the acquisition, creation or enhancement of capital assets.</p> <p><b>Capital Financing Requirement (CFR):</b> The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.</p> <p><b>Certificates of Deposits (CD's):</b> 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.</p> <p><b>Cost of Carry:</b> 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%.</p> <p><b>Consumer Price Index (CPI):</b> 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.</p> <p><b>Credit Rating:</b> 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.</p> <p><b>Corporate Bonds:</b> Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by</p>

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):** A committee of the Bank of England, which meets to decide the Bank Rate. Its primary target is to keep CPI 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.

**MiFID II (Markets in Financial Instruments Directive):** EU legislation that regulates firms who provide services to clients linked to 'financial instruments'. As a result of MiFID II, from 3<sup>rd</sup> January 2018 local authorities will be treated as retail clients but can "opt up" to professional client status, providing that they meet certain qualitative and quantitative criteria.

**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.

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**FLINTSHIRE COUNTY COUNCIL**

**DRAFT TREASURY MANAGEMENT  
STRATEGY**

**2018/19**

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## Treasury Management Strategy Report 2018/19

**The Council is recommended to:**

- **approve the Treasury Management Strategy for 2018/19**
- **approve the Treasury Management Indicators for 2018/19**

### **1.0 Introduction**

In April 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Welsh Government (WG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.

The successful identification, monitoring and control of risk are central to the Council's treasury management strategy as the Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.

In accordance with WG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly.

### **2.0 Economic Context (including Interest Rate Forecast – as provided by Arlingclose Ltd, November 2017).**

**Economic background:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control

mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

**Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

**Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

Table 1: Interest rate forecast

	Bank Rate	3 month LIBID	12 month LIBID	20 year Gilt rate	50 year Gilt rate
Q1 2018	0.50	0.50	0.70	1.85	1.70
Q2 2018	0.50	0.50	0.70	1.85	1.70
Q3 2018	0.50	0.50	0.70	1.85	1.70
Q4 2018	0.50	0.50	0.70	1.85	1.70
Q1 2019	0.50	0.50	0.80	1.85	1.70
Q2 2019	0.50	0.50	0.80	1.90	1.75
Q3 2019	0.50	0.50	0.80	1.90	1.80
Q4 2019	0.50	0.50	0.80	1.95	1.85
Q1 2020	0.50	0.50	0.80	1.95	1.90
Q2 2020	0.50	0.50	0.80	2.00	1.95
Q3 2020	0.50	0.50	0.80	2.05	1.95
Q4 2020	0.50	0.50	0.80	2.05	1.95

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.35%, and that new long-term loans will be borrowed at a weighted average rate of 2.65%.

### **3.0 Current Treasury Portfolio**

The Council's treasury portfolio as at 31<sup>st</sup> December 2017 was as follows:

Table 2: Current Treasury Portfolio

	Principal £m	Interest rate %
<b>Investments:</b>		
Call accounts	3.1	0.30%
Money market funds	4.6	0.42%
Short-term deposits	7.0	0.46%
Long-term deposits		
<b>Total Investments</b>	<b>14.7</b>	<b>0.41%</b>
<b>Borrowing:</b>		
Short-term loans	37.1	0.45%
Long-term PWLB loans (fixed)	220.8	5.24%
Long-term PWLB loans (variable)	10.0	0.36%
Long-term market loans (LOBOs)	18.95	4.53%
Other Government loans	2.34	0.00%
<b>Total Borrowing</b>	<b>289.19</b>	<b>4.37%</b>
<b>Net Borrowing</b>	<b>274.49</b>	

#### 4.0 Local Context

Forecast changes in the sums in section 3 are shown in the balance sheet analysis in the table below.

Table 3: Balance Sheet Summary and Forecast

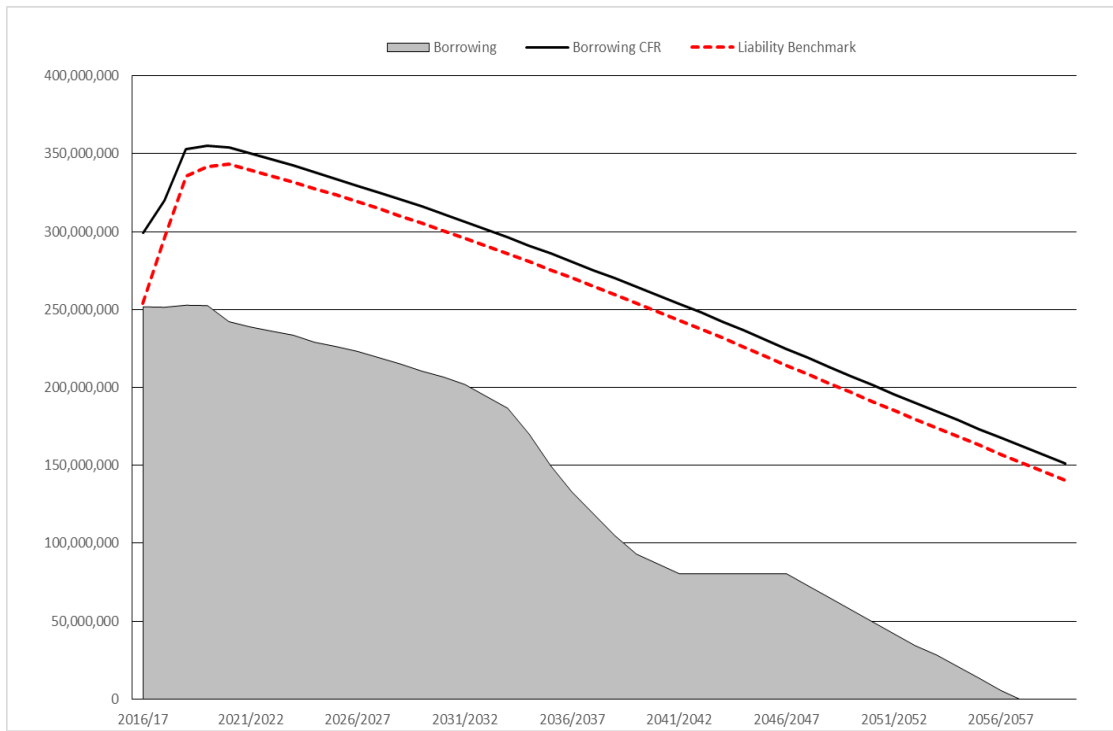
	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m
Council Fund Capital Financing Requirement (Borrowing only)	185	193	211	213	212
Housing Revenue Account Capital Financing Requirement (Borrowing only)	114	127	142	143	142
<b>Capital Financing Requirement (Borrowing only)</b>	<b>299</b>	<b>320</b>	<b>353</b>	<b>356</b>	<b>354</b>
Less: Current ST borrowing	-12	-252	-253	-253	-242
Less: Current LT borrowing	-251				
<b>Funding Required</b>	<b>36</b>	<b>68</b>	<b>100</b>	<b>103</b>	<b>112</b>
Less: Usable reserves	-48	-29	-25	-22	-20
Adj: Working capital	3	6	8	8	9
<b>Investments / New borrowing (called the Liability Benchmark)</b>	<b>9</b>	<b>-45</b>	<b>-83</b>	<b>-89</b>	<b>-101</b>

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing below the CFR, sometimes known as internal borrowing. Internal borrowing is currently cheaper and incurs lower credit risk than external long term borrowing.

Table 3 shows the Authority's CFR increases during 2017/18, this is linked with the capital programme (examples of schemes funded by borrowing include the 21<sup>st</sup> century schools building programme and the HRA capital programme which includes building new social housing and improving the existing stock to Welsh Housing Quality Standard (WHQS)). The level of reserves the Authority has is expected to fall in 2017/18 as funding earmarked for specific purposes falls due for payment and the Council uses un-earmarked reserves to balance the budget. The combination of the increase in capital expenditure and a reduction in reserves, results in a sustained requirement for new borrowing over the medium term.

The graph in table 4 shows the Council’s anticipated liability benchmark over the next 50 years, being the net requirement for borrowing after considering resources available from reserves and working capital. The rise in the liability benchmark corresponds with the need to borrow to fund the increase in capital expenditure described above. The strategy in 2018/19, the same as in 2017/18, and over the medium term, is to ensure that any new borrowing undertaken does not exceed the liability benchmark and cause the council to borrow more than it needs.

Table 4: Liability Benchmark - Flintshire County Council (January 2018)



**Budget implications**

The budget for investment income in 2018/19 is £40k, based on an average investment portfolio of £10m at an average interest rate of 0.4%. The total budget for loan interest paid in 2018/19 is £14.2m, based on a debt portfolio of £334.6m at an average interest rate of 3.73%. This will be apportioned between the Council Fund and the HRA. If levels of investments, borrowing and interest rates differ from those forecast, performance against budget will be correspondingly different.

Please note that development of the Capital Programme 2018/19 – 2020/21 is well underway, however has yet to be considered by Members. The figures included within section 4 therefore are prudent estimates based on the information available in early January 2018.

## **5.0 Investment Strategy**

The Council holds surplus funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £3.7m and £29.6m.

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

### **Negative Interest Rates**

If the UK enters into a recession in 2018/19, there is a very small chance that the Bank of England could set its Bank Rate at or below zero, which could feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. Although cash levels are decreasing, the Council could not avoid the need to occasionally invest funds in the short term for cash flow (liquidity) purposes, and therefore will be exposed to negative rates. This means that when an investment is returned at maturity, it will be less than originally invested as interest will be charged by the Counterparty rather than being paid. In this event, the aim will be to minimise investments and invest at the lowest negative rate.

### **Strategy**

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2018/19 so far as cash liquidity requirements allow. This is especially the case if any medium to longer-term investments are made. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits and money market funds.

## Investment criteria and limits

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the monetary and time limits shown.

Table 5: Investment criteria and limits

*(This table should be read in conjunction with the notes that follow it)*

<b>Minimum Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
<b>UK Government</b>			£ Unlimited 50 years		
<b>AAA</b>	£2m 5 years	£3m 5 years	£2m 25 years	£2m 5 years	£2m 10 years
<b>AA+</b>					
<b>AA</b>	£2m 4 years	£3m 4 years	£2m 15 years	£2m 4 years	
<b>AA-</b>	£2m 3 years	£3m 3 years	£2m 10 years	£2m 3 years	
<b>A+</b>	£2m 2 years	£3m 2 years	£2m 5 years	£2m 2 years	£2m 5 years
<b>A</b>	£2m 1 year	£3m 1 year		£2m 1 year	
<b>A-</b>	£2m 6 months	£3m 6 months		£2m 6 months	
<b>Pooled Funds</b>	£3m per fund				
<b>BBB-</b>	The Council is restricted to overnight deposits in its' own current account bank with a limit of £2m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
<b>Unrated Local Authorities</b>			£3m 2 years		
<b>Unrated Other</b>	The Council may invest in any other unrated organisation, subject to: <ul style="list-style-type: none"> <li>• an external credit assessment and specific advice from the Authority's treasury management adviser (£1m each / 1 year limit)</li> <li>• a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit)</li> </ul>				

## Credit Rating

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account

### Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Authority's current account bank.

### Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

### Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

### Corporates

Loans, bonds and commercial papers issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

### Registered Providers

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Welsh Government or Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

### Pooled Funds

Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money



Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

#### Operational bank accounts

The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2m. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

#### Other Organisations

The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

#### Foreign countries

Investments in foreign countries will be limited to those that hold an AAA or AA+ / Aa1 sovereign credit rating from all three major credit rating agencies, and to a maximum of £5 million per foreign country. Investments in countries whose lowest sovereign rating is not AAA will be limited to one year's duration. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

#### Risk assessment and credit ratings

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc. and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative

grade. The Council's credit rating criteria are set to ensure that it is unlikely that the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it is likely to fall below the above criteria, then no further investments will be made in that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks.

#### Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of "high credit quality" are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

#### Specified investments

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines ‘high credit quality’ organisations as those having a credit rating of A- or higher that are, domiciled in the UK, or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

### Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies. Non-specified investments will therefore be limited to long term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; those that are defined as capital expenditure, such as money market funds and other pooled funds; and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the table below.

Table 6: Non-Specified Investment Limits

	Cash Limit
Total long-term investments	£4m
Total invested in pooled funds	£20m
Total investments without credit ratings or below A- (except UK Government and UK local authorities)	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£1m
Total non-specified investments	£30m

### Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.

### Planned investment strategy for 2018/19

Treasury management staff will continue to seek out investments that meet the criteria detailed within this strategy whilst having full regard for the Council’s cash flow requirements.

The cash flow forecast will be used to divide surplus funds into three categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.

- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Instant access money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Security remains important, as any losses from defaults will impact on the total return, but fluctuations in price and even occasional losses can be managed over the long term within a diversified portfolio. Liquidity is of lesser concern, although it should still be possible to sell investments, with due notice, if large spending commitments arise unexpectedly. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds will be used to diversify the portfolio.

## **6.0 Borrowing Strategy**

The Council currently holds £252.1m of long-term loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in section 4 shows that the Council expects to undertake significant new borrowing during the remainder of 2017/18 and 2018/19.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which the funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

The Council's capital expenditure plans will continue to be monitored throughout 2018/19 to inform and confirm the Council's long term borrowing need (figures in section 4 are an estimate). 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. This will be balanced against securing low long term interest rates currently being forecast.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term instead.

By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk, credit risk as a result of bail-in legislation in particular. The benefit of internal/short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when the long term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.

Whilst such a strategy is most likely to be beneficial in the short term as official interest rates are expected to remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing costs are forecast to rise.

Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow for short periods of time to cover unexpected cash flow shortages.

#### Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board (PWLB) and any successor body
- UK local authorities
- any institution approved for investments above
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Clwyd Pension Fund)
- capital market bond investors
- Local Capital Finance Company (see below) and other special purpose companies created to enable joint local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase

- Private Finance Initiative
- sale and leaseback

### Municipal Bond Agency (Local Capital Finance Company)

The LGA Bond Agency is a Local Capital Finance Company established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities.

This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

### LOBOs

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2018/19, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

### Short-term and Variable Rate loans

As at 31<sup>st</sup> December 2017, the Authority held £37.1m of short term (temporary) loans with an average rate of 0.45%.

These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in section 9.

### Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

### Planned borrowing strategy for 2018/19

The Corporate Finance Manager will:

- Manage the Council's debt maturity profile, i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated in this Strategy Statement. Appendix A analyses the debt portfolio of the Council, as at 31st December, 2017.
- Effect any borrowing that maybe required in 2018/19 at the cheapest cost commensurate with future risk based on interest rate forecasts.
- Monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in this Strategy.
- Continue to monitor options for debt-restructuring and debt re-payment.

The Corporate Finance Manager will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances, reporting any decisions and actions taken under delegated powers to Cabinet via the Audit Committee.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as bond issues and bank loans, that may be available at more favourable rates.

## **7.0 Policy on Use of Financial Derivatives**

In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

## **8.0 Policy on Apportioning Interest to HRA**

The Council has adopted a single pool of loans which in part funds the capital expenditure of both Council Fund and HRA activities. The interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) is apportioned between the revenue accounts using the average Capital Financing Requirement (which measures the underlying need to borrow to fund capital expenditure) during the year.

Given that the HRA has minimal level of reserves compared to the total level of reserves held by the Council, any interest received on investments will be credited to the Council Fund revenue account.

## **9.0 Treasury Management Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:

### Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposures	£373m	£376m	£374m
Upper limit on variable interest rate exposures	£100m	£100m	£100m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

### Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper
Under 12 months	0%	20%
12 months and within 24 months	0%	20%
24 months and within five years	0%	30%
Five years and within 10 years	0%	50%
10 years and above	0%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on total principal invested beyond year end	£5m	£5m	£5m

Any long term investments carried forward from previous years will be included in each years limit.

### Borrowing limits

The Council is being asked to approve these Prudential Indicators as part of the Capital Programme report. However they are repeated here for completeness.



	2018/19	2019/20	2020/21
Operational boundary – borrowing	£353m	£356m	£354m
Operational boundary – other long-term liabilities	<u>£20m</u>	<u>£20m</u>	<u>£20m</u>
Operational boundary – TOTAL	£373m	£376m	£374m
Authorised limit – borrowing	£373m	£376m	£374m
Authorised limit – other long-term liabilities	<u>£35m</u>	<u>£35m</u>	<u>£35m</u>
Authorised limit – TOTAL	£408m	£411m	£409m

## **10.0 Other Matters**

The WG Investment Guidance requires the Council to note the following three matters each year as part of the investment strategy:

### Treasury Management Advisers

The Council's treasury management adviser, Arlingclose continues to provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is controlled by Financial Procedure Rules

### Investment training

The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

### Investment of Money Borrowed in Advance of Need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks

will be managed as part of the Authority's overall management of its treasury risks.

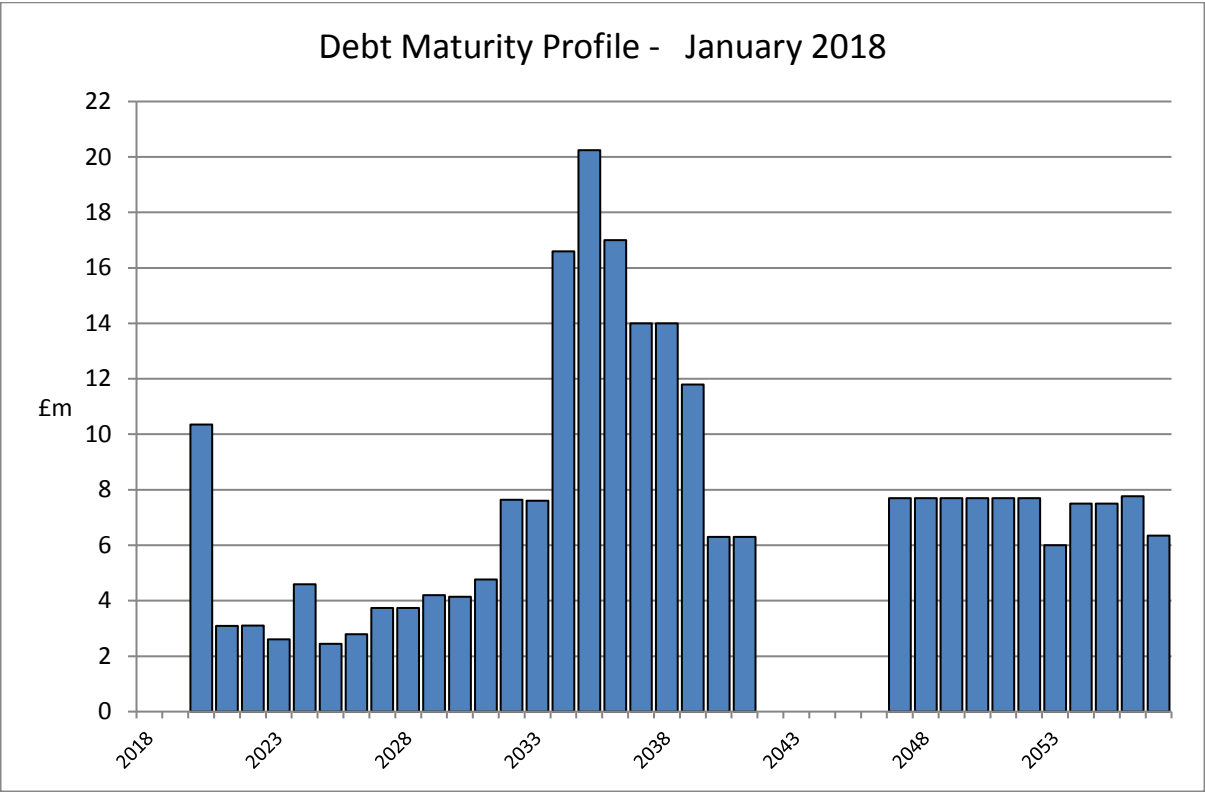
The total amount borrowed will not exceed the authorised borrowing limit of £408 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

### Other Options Considered

The WG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Finance Manager believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter periods.	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer periods.	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing if debt rescheduling costs weren't prohibitive	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

**APPENDIX A – DEBT MATURITY PROFILE**



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**FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO**

**31st December 2017**

**APPENDIX 2**

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
AMUNDI MONEY MARKET FUND	3.0	04/05/17	31/01/18	0.44%	9,837	MMF	1 month or less
<b>AMUNDI MONEY MARKET FUND</b>	<b>3.0</b>						
BANK OF SCOTLAND	2.0	20/12/17	31/01/18	0.57%	1,312	UK BANK	1 month or less
<b>BANK OF SCOTLAND</b>	<b>2.0</b>						
BNP PARIBAS SECURITIES SVCS	1.6	03/04/17	31/01/18	0.40%	5,313	MMF	1 month or less
<b>BNP PARIBAS SECURITIES SVCS</b>	<b>1.6</b>						
FURNESS BUILDING SOCIETY	1.0	05/10/17	05/01/18	0.35%	882	UK BS	1 month or less
<b>FURNESS BUILDING SOCIETY</b>	<b>1.0</b>						
HANDELSBANKEN	3.1	04/12/17	08/01/18	0.30%	892	Overseas	1 month or less
<b>HANDELSBANKEN</b>	<b>3.1</b>						
NATIONAL COUNTIES BS	1.0	20/12/17	20/02/18	0.50%	849	UK BS	1 - 3 months
<b>FURNESS BUILDING SOCIETY</b>	<b>1.0</b>						
SUFFOLK COUNTY COUNCIL	3.0	22/12/17	22/02/18	0.40%	2,038	LA	1 - 3 months
<b>SUFFOLK COUNTY COUNCIL</b>	<b>3.0</b>						
<b>TOTAL</b>	<b>14.7</b>			<b>0.41%</b>	<b>21,123</b>		
<b>PREVIOUS REPORTS TOTALS (31st October 2017)</b>	<b>5.2</b>			<b>0.22%</b>			

**FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY**

**31st December 2017**

**APPENDIX 2**

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	2.0	14%	2.0			
UK Building Society (UK BS)	2.0	14%	1.0	1.0		
Overseas	3.1	21%	3.1			
Local Authorities	3.0	20%		3.0		
CD's	0.0	0%				
T-Bills	0.0	0%				
Money Market Funds (MMF)	4.6	31%	4.6			
<b>Total (£)</b>	<b>14.7</b>		<b>10.7</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>73%</b>	<b>27%</b>	<b>0%</b>	<b>0%</b>

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

31st December 2017

APPENDIX 3

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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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
* 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
<b>Total</b>	<b>220,810,621</b>	<b>5.24</b>	<b>11,576,018</b>	

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
<b>Total</b>	<b>18,950,000</b>	<b>4.53</b>	<b>858,095</b>	

PWLB Variable Rate Maturity Loans				
* 05/05/10	10,000,000	0.36	36,000	05/05/20
	<b>10,000,000</b>	<b>0.36</b>	<b>36,000</b>	

Other Government Loans				
22/02/11	1,481,059	0.00	0	01/10/28
21/10/15	860,000	0.00	0	31/03/30
	<b>2,341,059</b>	<b>0</b>	<b>0</b>	

Totals				
<b>Fixed Rate</b>	<b>239,760,621</b>		<b>12,434,113</b>	
<b>Variable Rate</b>	<b>10,000,000</b>		<b>36,000</b>	
<b>Other</b>	<b>2,341,059</b>		<b>0</b>	
<b>Grand Total</b>	<b>252,101,680</b>	<b>4.95</b>	<b>12,470,113</b>	

\* New loan due to debt restructuring  
 HRAS Buyout Loans

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**FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING**

**31st December 2017**

**APPENDIX 4**

Counterparty Name	Amount Borrowed £m	Start Date	Maturity Date	Interest Rate	Interest due £	Brokerage due £	Period to Maturity
CAMBRIDGE CITY COUNCIL	4.0	20/12/17	19/02/18	0.42%	2,808	334	1 - 3 months
<b>CAMBRIDGE CITY COUNCIL</b>	<b>4.0</b>						
CITY OF EDINBURGH COUNCIL	10.0	27/11/17	27/02/18	0.50%	12,603	756	1 - 3 months
CITY OF EDINBURGH COUNCIL	5.0	18/12/17	09/03/18	0.50%	5,548	1,110	1 - 3 months
<b>CITY OF EDINBURGH COUNCIL</b>	<b>15.0</b>						
GLOUCESTER CITY COUNCIL	3.1	24/04/17	23/04/18	0.52%	16,076	3,092	3 - 12 months
<b>GLOUCESTER CITY COUNCIL</b>	<b>3.1</b>						
GT MANCHESTER PENSION FUND	5.0	22/12/17	04/01/18	0.35%	623	178	1 month or less
<b>GT MANCHESTER PENSION FUND</b>	<b>5.0</b>						
LEICESTER CITY COUNCIL	3.0	20/10/17	25/01/18	0.40%	3,189	239	1 month or less
LEICESTER CITY COUNCIL	5.0	27/10/17	25/01/18	0.40%	4,932	1,233	1 month or less
<b>LEICESTER CITY COUNCIL</b>	<b>8.0</b>						
ROYAL BOROUGH OF KENSINGTON & CHELSEA	2.0	20/12/17	20/02/18	0.42%	1,427	170	1 - 3 months
<b>ROYAL BOROUGH OF KENSINGTON &amp; CHELSEA</b>	<b>2.0</b>						
<b>TOTAL</b>	<b>37.1</b>			<b>0.45%</b>	<b>47,205</b>	<b>7,111</b>	

**SHORT TERM BORROWING SUMMARISED BY TYPE & MATURITY**

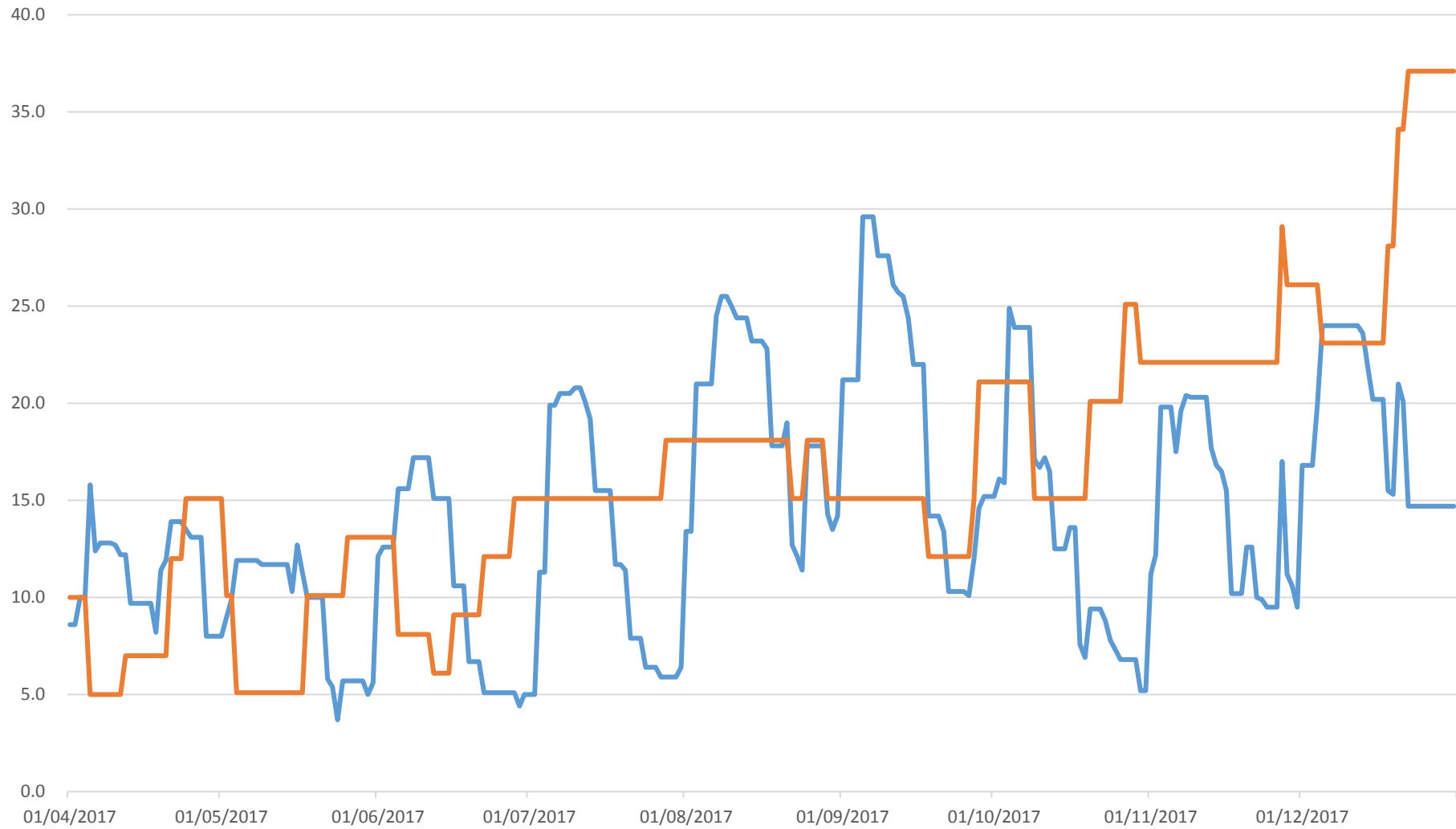
**31st December 2017**

**APPENDIX 4**

SHORT TERM BORROWING TYPE	Total Amount Borrowed £m	% of Total Portfolio	Period to Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
UK Bank	0.0	0%				
UK Building Society (UK BS)	0.0	0%				
Local Authorities	37.1	100%	13	21	3.1	
<b>Total (£)</b>	<b>37.1</b>		<b>13.0</b>	<b>21.0</b>	<b>3.1</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>35%</b>	<b>57%</b>	<b>8%</b>	<b>0%</b>

Investment and Short Term Borrowing balances, 1 April 2017 - 31st December 2017

Page 51



Investments £m      Short Term Borrowing £m

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 24 <sup>th</sup> January 2018
<b>Report Subject</b>	Proposed Changes to Statutory Deadlines for Local Authority Statement of Accounts
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The report outlines proposals by the Welsh Government to change the deadlines by which all Local Authorities in Wales must produce their statutory Statements of Accounts in 2 stages over a four year period.

The report explains the Council's and Wales Audit Office's plans and preparations to meet the first stage of earlier deadlines, and as a result the need to bring forward the September date for the Audit Committee and Council meetings to approve the final audited version of the Statement of Accounts.

### RECOMMENDATIONS

1	Members are requested to note the report and the changes to the September meetings of the Audit Committee and Council to approve the Statement of Accounts as explained in paragraph 1.08.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE STATEMENT OF ACCOUNTS</b>
1.01	<p>The Accounts and Audit (Wales) Regulations 2014, as set by Welsh Government, specify the statutory deadlines for the approval of Statement of Accounts for all Welsh local authorities. The current deadlines are that the:</p> <ul style="list-style-type: none"> <li>• draft accounts be approved by the Responsible Finance Officer by 30<sup>th</sup> June.</li> <li>• final audited accounts, approved by the Responsible Finance Officer and Council, and signed by the Appointed Auditor, be published by</li> </ul>

	30 <sup>th</sup> September.															
1.02	<p>The Council's constitution sets out Members' responsibilities for approving the accounts. The Audit Committee receive the draft annual Statement of Accounts, together with the underlying accounting policies for information. Audit Committee also consider and comment on the final statement of accounts following the receipt of the proposed audit opinion from the Wales Audit Office prior to recommending their approval to the Council.</p> <p>Responsibility for approving the accounts is currently a Council function.</p>															
1.03	<p>In line with changes made to legislation in England, WG are proposing to bring forward the deadlines for approving and publishing local authority accounts in Wales as shown in the table below:</p> <table border="1"> <thead> <tr> <th>Financial Year Ending</th> <th>Draft Accounts approved by Responsible Finance Officer</th> <th>Final Audited Accounts Published</th> </tr> </thead> <tbody> <tr> <td>31<sup>st</sup> March 2018 (2017/18)</td> <td>30<sup>th</sup> June 2018</td> <td>30<sup>th</sup> September 2018</td> </tr> <tr> <td>31<sup>st</sup> March 2019 (2018/19)</td> <td>15<sup>th</sup> June 2019</td> <td>15<sup>th</sup> September 2019</td> </tr> <tr> <td>31<sup>st</sup> March 2020 (2019/20)</td> <td>15<sup>th</sup> June 2020</td> <td>15<sup>th</sup> September 2020</td> </tr> <tr> <td>31<sup>st</sup> March 2021 (2020/21)</td> <td>31<sup>st</sup> May 2021</td> <td>31<sup>st</sup> July 2021</td> </tr> </tbody> </table> <p>Whilst WG haven't amended the legislation to date, they have consulted on proposed changes and have given clear indication that it is their intention to make the changes as above.</p>	Financial Year Ending	Draft Accounts approved by Responsible Finance Officer	Final Audited Accounts Published	31 <sup>st</sup> March 2018 (2017/18)	30 <sup>th</sup> June 2018	30 <sup>th</sup> September 2018	31 <sup>st</sup> March 2019 (2018/19)	15 <sup>th</sup> June 2019	15 <sup>th</sup> September 2019	31 <sup>st</sup> March 2020 (2019/20)	15 <sup>th</sup> June 2020	15 <sup>th</sup> September 2020	31 <sup>st</sup> March 2021 (2020/21)	31 <sup>st</sup> May 2021	31 <sup>st</sup> July 2021
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31 <sup>st</sup> March 2021 (2020/21)	31 <sup>st</sup> May 2021	31 <sup>st</sup> July 2021														
1.04	<p>The changes in the table in 1.03 represent a phased approach:</p> <ul style="list-style-type: none"> <li>• The first stage would result in a 2 weeks reduction to the accounts production timetable in 2018/19.</li> <li>• The second stage would result in a further 2 weeks reduction to the accounts production and 4 week reduction to the audit timetables in 2020/21.</li> </ul> <p>This will be a significant challenge for accounts preparers and auditors when available resources are declining, although the changes have been widely known for some time and accounts preparers and auditors alike have been preparing for the changes. In addition, the WAO have been holding regional events annually to discuss the early closure of accounts and to share good practice across Wales.</p>															
1.05	<p>The way in which the accounts preparing and audit processes are viewed is changing. Rather than being viewed as a set of discrete tasks in April to</p>															

	<p>June (for accounts preparation) and July to September (for audit), it has to be considered as a continuous project that runs throughout the year, every year.</p>
1.06	<p>The concept of materiality will also need further consideration by all involved. Materiality is a concept used to inform judgements regarding the accuracy of the accounts which could be quantitative or qualitative. In its broadest sense this would mean a misstatement within the accounts that would cause a reader of the accounts to form an entirely different view of a subject.</p> <p>For accounts to be prepared efficiently within shorter timescales more use will be required of data that has been estimated but is materially correct. This will inevitably mean some precision is lost.</p>
1.07	<p>Locally Officers from the Council and the WAO have been discussing early closure for some time and have been making step changes in preparation. Monthly meetings are held throughout the year which report progress and discuss any issues arising at an early stage with a view to resolving as soon as practical. As part of the meetings processes are continually reviewed to see what tasks could be streamlined or done at an earlier point in the year. The accounts production and audit processes are overseen by the Accounts Governance Group, a group of Senior Officers including the Chief Executive, Monitoring Officer and Section 151 Officer. Progress on early closure is regularly reported and reviewed.</p>
1.08	<p>In preparation for the first stage of the changes to statutory deadlines being introduced in 2018/19, it is recommended that the Council amend its accounts production and audit timetable in 2017/18, a year early. This will enable any issues to be resolved in advance of the changes taking place the following year.</p> <p>The impact of this is that the;</p> <ul style="list-style-type: none"> <li>• draft 2017/18 Statement of Accounts would need to be prepared and approved by the Corporate Finance Manager by 15<sup>th</sup> June 2018</li> <li>• final audited version of the 2017/18 Statement of Accounts would need to be published by the 14<sup>th</sup> Sept 2018 (15<sup>th</sup> September is a Saturday). This includes being approved by Council and signed by the Appointed Auditor.</li> </ul> <p>This approach is supported by the WAO and the Accounts Governance Group.</p> <p>This will also mean bringing forward the September date for the Audit Committee and Council meetings to approve the accounts to the second week in September (week commencing 10<sup>th</sup> September 2018).</p>
1.09	<p>Plans and preparations for shortening the timetable in 2017/18 is well underway. The detailed task by task timetable for accounts preparation has been thoroughly reviewed with actions brought forward wherever possible. This requires all tasks to be completed by the 15<sup>th</sup> June, the overall deadline.</p> <p>More specifically changes have been made to the detailed task by task</p>

	<p>timetable for sections of work that are critical to the success of producing the accounts by the earlier deadline. These include; capital accounting and valuations of properties, the production of the group accounts which will in 2017/18 incorporate new subsidiaries for the first time, and accounting for changes in employee benefits (pensions in the main).</p> <p>Where possible the Council is working with WAO so that any completed worked can be audited earlier.</p>
	<b>Future considerations</b>
1.10	In reviewing the timetable officers have considered timetables at other Welsh councils. The majority of North Wales councils have delegated responsibility to their Audit Committee for approving the final version of their Statement of Accounts, rather than it being a full Council function. This is something that could be considered at Flintshire in future years. This would require a change in the Council's Constitution and it is therefore suggested that a future report be taken to the Council's Constitution Committee to explore and review options.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>There are no direct resource implications as a result of this report.</p> <p>The report explains how the Council plans to meet the challenging changes in legislation being proposed within existing resources.</p>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required and none undertaken.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The main risk is the Council not being able to meet changes in statutory deadlines for producing the accounts.</p> <p>The purpose of the report is to explain how the Council is preparing for the changes and mitigating the risk.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	None

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Liz Thomas – Technical Finance Manager



**Telephone:** 01352 702289  
**E-mail:** [liz.thomas@flintshire.gov.uk](mailto:liz.thomas@flintshire.gov.uk)

**7.00 GLOSSARY OF TERMS**

7.01 **Financial Audit:** The annual external audit of the Council's Statement of Accounts.

**Financial Year:** the period of 12 months commencing on 1 April

**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.

**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.

**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.

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 24 January 2018
<b>Report Subject</b>	Mid-year Risk Report
<b>Portfolio Holder</b>	The Leader of the Council and Cabinet Member for Finance and Assets
<b>Report Author</b>	Chief Executive

### EXECUTIVE SUMMARY

This risk management update provides an initial position statement on the strategic risks contained within the Council's 2017/18 Council Plan. It also provides an overview of the recent Risk Management review undertaken by Internal Audit.

#### **Council Plan risks**

The Council Plan 2017-23 was adopted by the Council in September 2017; this report provides an initial overview of the strategic risks contained within the Plan which were presented to Cabinet in November. The later adoption of the new Council Plan means that an analysis of risk trend will be undertaken as part of the February cycle of reporting to Cabinet and Overview and Scrutiny Committees.

The 48 strategic risks within the Council Plan are being managed with the majority being assessed as moderate 32 (67%) or minor/insignificant 5 (10%). Detail around the 11 (23%) red risks are provided in the body of the report; the majority relating to the financial position of the Council.

#### **Risk Management review**

Assurance of the Council's risk management processes and procedures is usually undertaken by Internal Audit on an annual basis. The focus of the most recent risk management audit was on the identification, management and reporting of operational risks. The overall assurance level was 'Reasonable Assurance' (Amber/Green) with 4 recommendations (3 medium (Amber) and 1 low (Green)).

## RECOMMENDATIONS

1	To note the status of the initial overview of the strategic risks of the 2017/18 priorities of the Council.
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2	To note the outcomes of the recent Internal Audit review of the Council's risk management arrangements and the Council's management response.
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## **REPORT DETAILS**

<b>1.00</b>	<b>STRATEGIC RISKS</b>												
1.01	<p><b>Council Priorities – Strategic Risks</b> The Council adopted the Council Plan for 2017-23 in September 2017. The adoption of the plan and its priorities provides the opportunity to monitor the strategic risks aligned to those priorities and sub priorities; this is done on a quarterly basis by each of the Overview and Scrutiny Committees and reported to Audit Committee at the mid-year point. This report is to assure the Committee that the risk levels are being managed.</p>												
1.02	<p>The Audit Committee's role is to ensure that the process and approach for managing risks is robust. As part of this process the Overview and Scrutiny Committees received their first quarterly progress report against the Council Plan for 2017/18 in November. These included a template for each risk capturing:</p> <ul style="list-style-type: none"> <li>• the nature of each risk;</li> <li>• the gross, net and target RAG status for each risk;</li> <li>• current actions already in place to mitigate the risk;</li> <li>• further activity to mitigate the risk.</li> </ul> <p>The Quarter 3 monitoring reports (October to December 2017) will also show the direction of the risk trend. This is shown by a comparison with the initial assessment against the current assessment to identify any change in risk significance.</p>												
1.03	<p>The Council Plan has a total of 48 risks which have been assessed as shown in Table 1.</p> <p>Table 1: Initial assessment</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th><b>Net risk status</b></th> <th><b>Initial Assessment</b></th> </tr> </thead> <tbody> <tr> <td><b>Insignificant: (green)</b></td> <td>1 (2%)</td> </tr> <tr> <td><b>Minor: (yellow)</b></td> <td>4 (8%)</td> </tr> <tr> <td><b>Moderate: (amber)</b></td> <td>32 (67%)</td> </tr> <tr> <td><b>Major : (red)</b></td> <td>11 (23%)</td> </tr> <tr> <td><b>Severe: (black)</b></td> <td>0</td> </tr> </tbody> </table>	<b>Net risk status</b>	<b>Initial Assessment</b>	<b>Insignificant: (green)</b>	1 (2%)	<b>Minor: (yellow)</b>	4 (8%)	<b>Moderate: (amber)</b>	32 (67%)	<b>Major : (red)</b>	11 (23%)	<b>Severe: (black)</b>	0
<b>Net risk status</b>	<b>Initial Assessment</b>												
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<b>Moderate: (amber)</b>	32 (67%)												
<b>Major : (red)</b>	11 (23%)												
<b>Severe: (black)</b>	0												
1.04	<p>The eleven areas of major (red) risk as assessed at the Quarter 2 period (June to September) of the Council Plan are described below. The text contains the most current description of mitigation of the risk. The Quarter 3 monitoring reports may show a change in status to these 'red' risks.</p> <p><b>Priority: Supportive Council</b> <b>Risk: Availability of sufficient funding to resource key priorities.</b></p> <p>The adaptations budget is monitored monthly to ensure there is sufficient</p>												

availability for funding key priorities. In addition to this a Community and Enterprise Efficiency and Resilience Statement has been prepared which sets the resilience levels for the current year in terms of service scale and quality, capability and service sustainability which includes the impact in the event of funding being withdrawn. Demand for adaptations is exceeding the capital budget available in 2017/18.

**Risk: Debt levels will rise if tenants are unable to afford to pay their rent or council tax.**

We are currently working together to identify early intervention tools for those tenants that fall into arrears with their rent. A model based on the Early Help Hub within Children's Services is being explored and resources committed to ensure that homelessness is prevented and rent collection is maximised.

**Risk: Demand outstrips supply for residential and nursing home care bed availability.**

Recommendations have been approved to explore further the extension of Marleyfield (32 beds for intermediate care and discharge to assess). This expansion will also help to support the medium term development of the nursing sector. A Strategic Opportunity Review has been completed and approved by Cabinet. There are several active workstreams, including the development of resources to support the sector, such as a provider portal. In addition, a letter has been sent to Welsh Government highlighting the risks and areas for concern.

**Risk: Annual allocation of Integrated Care Funding (ICF) - Short term funding may undermine medium term service delivery.**

We have requested the re-phasing of agreed ICF capital funding to be allocated for the expansion to 2021 to fit with our capital programme. Senior Officers are liaising with Welsh Government to confirm the ongoing use of ICF revenue funding for existing projects. This risk remains Red.

**Risk: Knowledge and awareness of safeguarding not sufficiently developed in all portfolios.**

Safeguarding training is available and a communication plan is being implemented which will increase employee awareness of safeguarding issues. Safeguarding is included within the corporate induction via e-learning, ensuring new employees can recognise the signs and know how to make a report. Safeguarding awareness workshops were delivered during National Safeguarding Week in November 2017 and further training is planned for January and February 2018.

**Risk: Failure to implement safeguarding training may impact on cases not being recognised at an early stage.**

Safeguarding is included in the corporate induction ensuring all new employees have a basic understanding of safeguarding. Safeguarding training is provided regularly ensuring employees have the opportunity to access appropriate training.

**Priority: Learning Council**

**Risk: Sustainability of funding streams.**

The sustainability of grant funding remains a major risk. The Council has recently received, without prior intelligence from Welsh Government (WG), notification of an 11% cut to the Education Improvement Grant, resulting in a real term reduction of approximately quarter of a million pounds. This grant funds a range of posts within schools e.g. Foundation Phase Support Staff and central service delivery within the portfolio. There is very limited guidance available at the current time from WG to be able to strategically plan for the implementation of this cut. Additionally, other grants e.g. Small and Rural School grant which was made available this year do not appear on the grant schedule for 2018/19. The School Uniform Grant for year 7 pupils entitled to Free School Meals has also been withdrawn without prior notification, leaving a potential cost pressure for the Council or schools to absorb.

**Risk: Numbers of school places not matching the changing demographics.**

Reducing unfilled school places via school organisation change is an ongoing process. School change projects can take between three and five years from inception to delivery before reductions of unfilled places can be realised. This continues to be an ongoing process linked to the school modernisation programme. To supplement this the Council will continue to work closely with schools to consider innovative ways for reduction in capacity on a school by school basis (i.e. alternative use of school facilities by other groups) with the objective of meeting national targets of circa 10% unfilled places in all school sectors.

**Risk: Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets.**

Continuation of the School Modernisation programme is one of the strategic options available to address the repair and maintenance backlog. The programme continuation will also i) Support a reduction of unfilled places ii) Provide a more efficient school estate and concentrate resources on teaching by removal of unwanted fixed costs in infrastructure and leadership iii) Ensure that the condition and suitability of the school estate is improved. Additionally, future capital business cases will be submitted through the Council process to supplement the 21st Century Schools investment programme.

**Priority: Green Council**

**Risk: Funding will not be secured for priority flood alleviation schemes.**

Grant availability continues to be monitored. A five year programme of capital works and flood alleviation schemes has been developed based on transparent criteria in line with Welsh Government guidance to feed into the national pipeline programme. These projects have been assessed on affordability and ability to maximise capital funding from internal and external sources. The required skill sets to implement effective and

innovative flood risk management continue to be developed within the team.

**Priority: Serving Council**

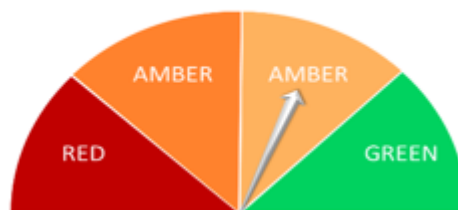
**Risk: The scale of the financial challenge**

The Provisional settlement was received on 10th October 2017. The impact of this for Flintshire is a decrease in funding of 0.9%, equivalent to £1.073m. This reduction has increased to £1.9m due to the impact of a new responsibility for Homelessness Prevention. The final settlement reduced the decrease in funding to 2%. Stage 1 budget options approved November 2017 with Stage 2 considered and agreed in principle with Council in December 2017 with a couple of areas referred to specific scrutiny committees for further consideration. Final Budget options to be considered January/February 2018.

1.05 **Risk Management review**

The most recent review of the Council's risk management processes and procedures focused on the identification, management and reporting of operational risk. The assurance level was set at 'reasonable'.

**Audit Opinion**



The full report is available at Appendix 3.

Areas that were managed well were identified as:

- Robust processes in place for the management of risk within strategic projects and change programmes.
- Development of Portfolio Business Plans and Service Plans.
- Close working links between Chief Officers allowing emerging risks to be shared / considered more widely.
- Management of operational risk on a 'business as usual' basis.
- Chief Officer visibility of risk through monthly one to one meetings with Service Managers.

Areas for further improvement were identified as:

- Limited reference to operational risk (which has the potential to impact service delivery) in Service Plans.
- Inconsistent approach to the identification, evaluation, management and reporting of operational risk.
- Inconsistency in the processes, roles and responsibilities for the

	<p>escalation and de-escalation of strategic risk.</p> <ul style="list-style-type: none"> <li>•Risk Management Policy &amp; Strategy to be updated to reflect current and planned practice.</li> </ul> <p>Progress has been made on these identified areas for improvement; which are aimed at strengthening and ensuring consistency of processes already in place. The Risk Management Policy and Strategy is to be brought to this Committee for endorsement at its March meeting.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications related to this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Consultations with Chief Officers, senior managers and both Internal and external audit (Wales Audit Office) have been undertaken whilst addressing various aspects of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The Council's strategic Council priority risks are being effectively managed through the adopted risk management approach.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Internal Audit – Risk Management report

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Karen Armstrong, Corporate Business and Communications Executive Officer  <b>Telephone:</b> 01352 702740  <b>E-mail:</b> <a href="mailto:Karen.armstrong@flintshire.gov.uk">Karen.armstrong@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(1) <b>Council Plan:</b> the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Council Objectives and publish a Council Plan.</p> <p>(2) <b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales</p>



know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

(3) **Risk Management** - the process of **identifying** risks, **evaluating** their potential consequences (impact) and **managing** them. The aim is to reduce the frequency (likelihood) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (impact) if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.

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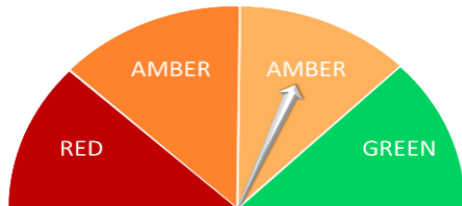
# Flintshire Internal Audit

## Audit Report

**Title:** Risk Management (2016/17)  
**Portfolio:** Corporate  
**Issued Dated:** NOVEMBER 2017  
**Report No:** 50-2016/17  
**Report Status:** FINAL

Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

### Audit Opinion



# 1. Executive Summary:

## Introduction and Scope:

An audit review of Risk Management was included in the Internal Audit Annual Plan for 2016/17.

Previous audits of Risk Management have focused on the robustness of the processes in place for the management and reporting of Strategic Risk, the alignment of Strategic Risk to the Improvement Plan, and the implementation of the CAMMS system (enterprise performance management and business intelligence suite) to provide consistency across the identification, monitoring and reporting of risk.

A Risk Management Policy and Strategy was developed in January 2016 to provide a best practice framework for the identification, assessment and control of key strategic, operational and project risk through the;

- Adoption of an effective and transparent corporate approach to proactive risk management by the Council and the work of key external partners;
- Integration of risk management into the operational and management practices and procedures of the Council to promote a culture of risk awareness; and
- Provision of information to support the Council's Annual Governance Statement (AGS), relating to the effectiveness of the arrangements for risk management and internal control mechanisms in place.

As previous audits of this area have focused on the management of Strategic Risk it was agreed this audit would focus on the identification, management and reporting of Operational Risk, with focus on;

- The robustness of the risk management processes following the implementation of the new risk management operating model, the implementation of the Risk Management Policy and Strategy (January 2016) and the continued roll out of CAMMS, with focus on the management of operational and project risks.

## Audit Opinion:

In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. Appendix A of the report details our assurance levels:

Assurance:	Explanation
<b>Amber</b> <b>Green -</b> <b>Reasonable</b>	Reasonable Assurance – Key Controls in place but some fine tuning required; <ul style="list-style-type: none"> <li>Some refinement or addition of controls would enhance the control environment</li> <li>Key objective could be better achieved with some relatively minor adjustments</li> </ul> Conclusion: key controls generally operating effectively.

The table below highlights the number and priority of agreed actions to be implemented.

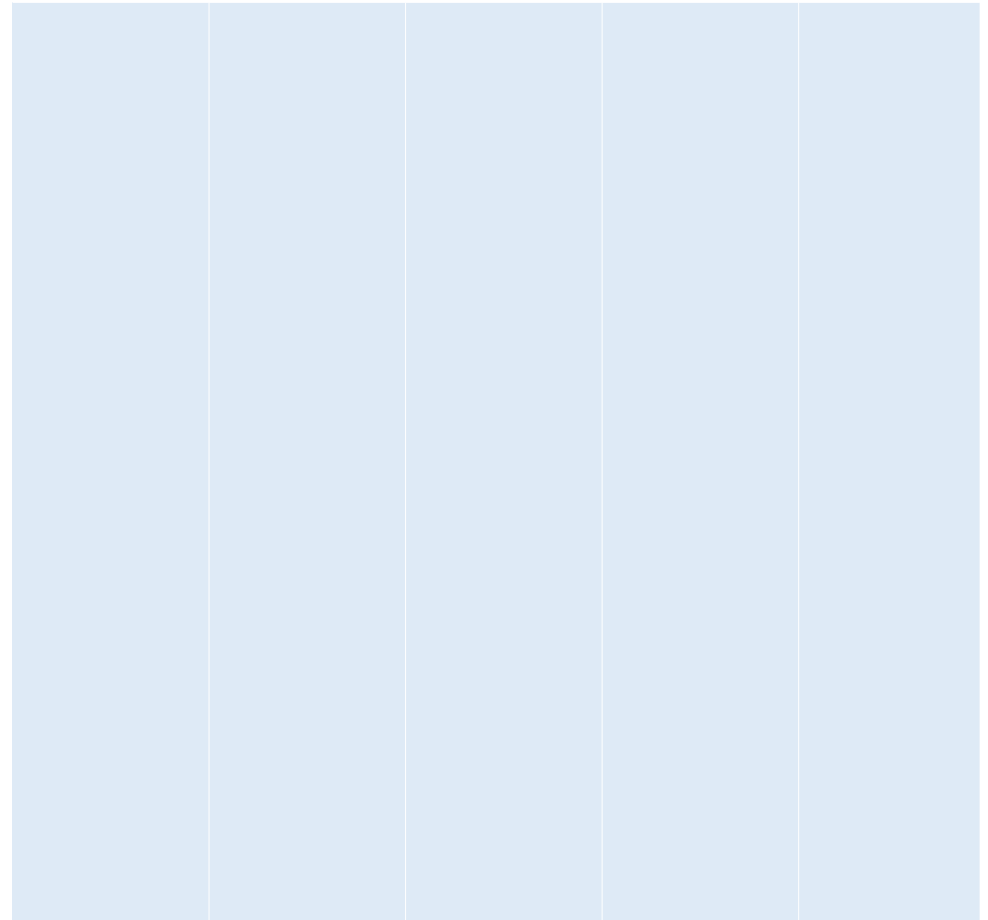
Priority	High (Red)	Medium (Amber)	Low (Green)	Total
No.	0	3	1	4

- An assessment of the extent to which operational risks are identified through Portfolio and Operational Plans.
- Processes for recording and escalating risks which are outside the control of operational managers.
- Assessing compliance with established procedures and good practice.
- A review of the actions taken and progress made to implement previous Internal Audit recommendations and WAO recommendations (where applicable).

Whilst the 2015/16 Internal Audit Report focused on strategic risk, some work was also carried out around 'Business Efficiencies', also referred to in the previous internal audit report as 'Operational Risks'. In the current audit report the term 'Operational Risk' is used to refer to the *'risks to service delivery caused by inadequate or failed internal processes, people and systems, or from any event that disrupts business processes'*. Business Efficiencies have not been reviewed as part of this current piece of work.

Page 69 It was agreed with the Chief Executive that this would be a high level review to determine the adequacy of the risk management framework in place, and would not review in detail the specific content of the risk registers or performance management reports.

Discussion with Chief Officers and review of relevant documentation confirmed that whilst operational risk is managed within portfolios as part of 'business as usual' processes there is inconsistency in the way in which it is identified, evaluated and managed across the Authority as a whole.



## 2. Summary Findings:

Areas Managed Well	Areas for Further improvement
<ul style="list-style-type: none"> <li>• Robust processes in place for the management of risk within strategic projects and change programmes.</li> <li>• Development of Portfolio Business Plans and Service Plans.</li> <li>• Close working links between Chief Officers allowing emerging risks to be shared / considered more widely.</li> <li>• Management of operational risk on a 'business as usual' basis.</li> <li>• Chief Officer visibility of risk through monthly one to one meetings with Service Managers.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited reference to operational risk (which has the potential to impact service delivery) in Service Plans.</li> <li>• Inconsistent approach to the identification, evaluation, management and reporting of operational risk.</li> <li>• Inconsistency in the processes, roles and responsibilities for the escalation and de-escalation of strategic risk.</li> <li>• Risk Management Policy &amp; Strategy to be updated to reflect current and planned practice.</li> </ul>

### 3. Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1 (A)	<p>Chief Officers are currently revisiting Portfolio Business Plans for the new Council term, outlining the strategic direction of the services within their portfolio, areas for service reform, and 'fit' with Council Priorities.</p> <p>Service Plans are currently in the final stages of development, and will sit beneath the Portfolio Business Plans, but there is inconsistency in the content of these Service Plans, and the references to areas of operational risk which have the potential to significantly impact service delivery (with references generally limited to risk around the achievement of 'efficiencies' and 'resilience' around change programmes).</p> <p>Risks highlighted in Service Plans are not routinely being evaluated using the Risk Matrix defined in the Risk Management Strategy.</p>	<p>Service Plans should include operational risks / emerging risks in accordance with the guidance in the Council's Risk Management Policy &amp; Strategy.</p> <p>This needs to include:</p> <ul style="list-style-type: none"> <li>• More immediate and visible reporting of risk;</li> <li>• Clarity of roles around the escalation of risk;</li> <li>• Appropriate responsibility for agreed risk mitigations.</li> </ul> <p>URN 02004</p>	Colin Everett	31.03.18 <sup>1</sup>
2 (A)	<p>Chief Officers and Service Managers confirmed operational issues (and associated operational risks) are managed as part of 'business as usual' with issues generally identified and informally evaluated during one to one meetings and, to a lesser extent, Team Meetings. As such Chief Officers are 'generally satisfied' as to the visibility of operational risk within their portfolios, and 'confident' that adequate processes are in place for the escalation of operational risk.</p>	<p>Chief Officers to raise the profile of operational risks by reviewing portfolio processes and practices for the identification, evaluation and management of operational risks.</p> <p>Chief Officers as a collective to share and address cross portfolio operational risks.</p> <p>URN 02006</p>	Colin Everett	31.12.17

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<sup>1</sup> This is currently a live piece of work and will be completed alongside the production of the 2018/19 Council Plan and Business Plans.

No.	Findings and Implications	Agreed Action	Who	When
	<p>The informal identification and evaluation of operational risk has resulted in inconsistency in the way operational risk is managed across portfolios, and a lack of audit trails, in particular absence of data around risk ownership, risk trend and agreed mitigations, including mitigations which involve the sharing of emerging risk with other services or portfolios.</p>			
3 (A)	<p>Discussion with Chief Officers suggested that whilst they are generally satisfied as to the visibility of risk in their portfolios, and the processes in place for the escalation of risk, the processes for the de-escalation of risk are not as clear.</p> <p>The quarterly update of strategic risks on CAMMS is driven by the Portfolio Performance Leads. Whilst a small number of Performance Leads are Service Managers (with a robust understanding of the risks being tracked) the role of a number of the Portfolio Leads is more administrative, as such there may be a less robust challenge of risks as part of the quarterly refresh process.</p>	<p>Clearer processes to be put in place for the de-escalation of risk as part of review of the Risk Management Policy and Strategy, including more 'live' tracking in CAMMS.</p> <p>Roles and responsibilities of Portfolio Performance Leads to be made clearer.</p> <p>URN 02007</p>	Karen Armstrong	31.12.17
4 (G)	<p>The Risk Management Policy and Strategy (updated January 2016) makes reference to 'a commitment to embedding risk management into the Council's culture and organisational processes at all levels including corporate/strategic, programme/project, and operational' and assumes the use of CAMMS for the capture, review and reporting of all risks, including programme, project and operational risk.</p> <p>In practice CAMMS is only used for strategic risk, business efficiencies and some project risks. Whilst it is recognised there is need for more robust and consistent processes around the identification and management of</p>	<p>Risk Management Policy &amp; Strategy to be updated to reflect current and planned practice.</p> <p>URN 02001</p>	Karen Armstrong	31.12.17



No.	Findings and Implications	Agreed Action	Who	When
	<p>operational risk, there is no appetite for the roll out of the CAMMS system for all operational and project risks as it is considered this would add an additional administrative layer which would add limited value to the risk management process.</p> <p>As such the Risk Management Policy and Strategy document does not reflect current or planned practice and doesn't provide clarity to users.</p>			

## 4. Distribution List:

Name	Title
<b>Colin Everett</b>	<b>Accountable Officer for the Implementation of Agreed Actions</b>
Colin Everett	Chief Executive
Gareth Owens	Chief Officer - Governance
Claire Homard	Interim Chief Officer - Education and Youth
Neil J Ayling	Chief Officer - Social Services
Clare Budden	Chief Officer - Community & Enterprise
Steve Jones	Chief Officer - Streetscene & Transportation
Andy Farrow	Chief Officer - Environment & Planning
Neal Cockerton	Chief Officer - Organisational Change 2
Ian Bancroft	Chief Officer - Organisational Change 1
Karen Armstrong	Corporate Business & Communications – Executive Officer

## Appendix A - Audit Opinion:

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 **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
<b>Green - Substantial</b>	<p><b>Strong controls in place (all or most of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist and are applied consistently and effectively</li> <li>• Objectives achieved in a pragmatic and cost effective manner</li> <li>• Compliance with relevant regulations and procedures</li> <li>• Assets safeguarded</li> <li>• Information reliable</li> </ul> <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>
<b>Amber Green - Reasonable</b>	<p><b>Key Controls in place but some fine tuning required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact</li> <li>• Some refinement or addition of controls would enhance the control environment</li> <li>• Key objectives could be better achieved with some relatively minor adjustments</li> </ul> <p>Conclusion: key controls generally operating effectively.</p>
<b>Amber Red - Some</b>	<p><b>Significant improvement in control environment required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively</li> <li>• Evidence of (or the potential for) financial / other loss</li> <li>• Key management information exists but is unreliable</li> <li>• System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.</li> </ul> <p>Conclusion: key controls are generally inadequate or ineffective.</p>
<b>Red - Limited</b>	<p><b>Urgent system revision required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls are absent or rarely applied</li> <li>• Evidence of (or the potential for) significant financial / other losses</li> <li>• Key management information does not exist</li> <li>• System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.</li> </ul> <p>Conclusion: a lack of adequate or effective controls.</p>

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	24 January 2018
<b>Report Subject</b>	Annual Review of the Code of Corporate Governance
<b>Portfolio Holder</b>	Leader of the Council
<b>Report Author</b>	Chief Executive

### EXECUTIVE SUMMARY

The Code of Corporate Governance forms part of the Constitution. It is reviewed and updated annually to ensure it is up to date and complies with all relevant legislation and other requirements.

The Code of Corporate Governance forms part of the Council's Constitution and is to be presented for endorsement by the Constitution Committee later this month.

### RECOMMENDATIONS

1.	The Committee to endorse the updated Code of Corporate Governance for adoption as part of the Council's Constitution.
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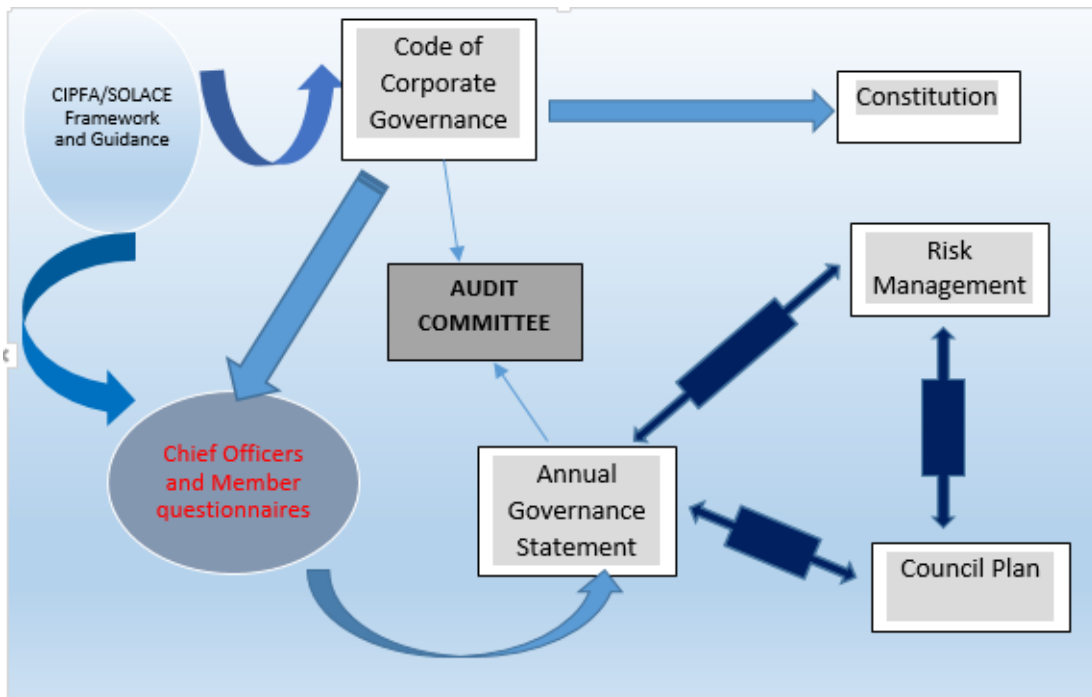
### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE REVIEW OF THE CODE OF CORPORATE GOVERNANCE</b>
1.01	<p>The Corporate Governance Working Group (CGWG) has two main roles:- the annual review of the Code of Corporate Governance; and the preparation of the Annual Governance Statement (AGS).</p> <p>Under both roles the Group prepares the draft documentation for consideration by the Chief Executive, Monitoring Officer and Section 151 Officer prior to consideration by the Audit Committee. The membership of this officer working group is shown in Appendix 1.</p>
1.02	The Council's Code of Corporate Governance forms part of the Constitution

and applies to all parts of the Council’s business. Members and employees of the Council in carrying out its business must conduct themselves in accordance with the high standards expected.

The Code draws from work and guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) and their joint document entitled ‘Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities 2016’.

1.03 The relationship between the CIPFA /SOLACE guidance, the Code of Corporate Governance, the Annual Governance Statement, Council Plan and the Audit Committee’s responsibilities for these and risk management, is shown in the diagram below.



1.04 The CIPFA/SOLACE Guidance note for Welsh Authorities was received in December 2016 following revision to take account of Welsh legislation and Wales only policies in particular the Well-being of Future Generations (Wales) Act 2015.

The CIPFA/SOLACE Framework is intended to assist authorities in ensuring that:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

As a result of the revised Guidance note, the Code of Corporate Governance was significantly revised last year. The format was also simplified and modernised with an increased use of hyperlinks.

The updating and formatting review of the code was initially carried out by

	<p>the Corporate Governance Working Group followed by consultation with the Chief Executive, Monitoring Officer and Section 151 Officer.</p> <p>The revised code can be seen at Appendix 2.</p>
1.05	<p>The principles for the code (taken from the Framework) are as follows:</p> <p>A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law</p> <p>B - Ensuring openness and comprehensive stakeholder engagement</p> <p>C – Defining outcomes in terms of sustainable economic, social and environmental benefits</p> <p>D – Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p> <p>F - Managing risks and performance through robust internal control and strong public financial management</p> <p>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p>
1.06	<p>The revised principles of the Code have been used in self assessments to Chief Officers and Overview and Scrutiny Committee chairs to help inform the preparation of the Annual Governance Statement.</p>

<b>2.0</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a direct result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	With the Corporate Governance Working Group, Chief Executive, Monitoring Officer, section 151 Officer and senior officers where appropriate.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The main risk is in not updating the Code, meaning it does not reflect the Systems’ in place or meet the requirements.</p> <p>Similarly, in order to comply with requirements, the AGS needs to be prepared each year with input from members and officers, including an annual review of the effectiveness of governance.</p>

	Both these risks are addressed through the adopted processes and approach each year, which reflect new or additional best practice and guidance.
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<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Compilation of Officer Working Group Appendix 2: Code of Corporate Governance

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Karen Armstrong, Corporate Business and Communications Executive Officer <b>Telephone:</b> 01352 702740 <b>E-mail:</b> <a href="mailto:karen.armstrong@flintshire.gov.uk">karen.armstrong@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	(1) <b>Corporate Governance:</b> 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.



## **Corporate Governance Working Group Membership**

Karen Armstrong (Chair)	Corporate Business and Communications Executive Officer
Joanne Hayes	Corporate Business and Communications Support Officer
Lisa Brownbill	Internal Audit Manager
Sue Ridings	Accountant
Robert Robins	Democratic Services Manager
Mandy Humphries	IT Services Business Manager
Sharon Carney	Senior Manager, Human Resources & Organisational Development

January 2018

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## CIPFA/SOLACE Delivering Good Governance in Local Government Framework

### Flintshire County Council – Code of Corporate Governance 2017

Section	Core Principles	Page
A	<a href="#">Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</a>	2
B	<a href="#">Ensuring openness and comprehensive stakeholder engagement</a>	6
C	<a href="#">Defining outcomes in terms of sustainable economic, social and environmental benefits</a>	9
D	<a href="#">Determining the interventions necessary to optimise the achievements of the intended outcomes</a>	12
E	<a href="#">Developing the entity's capacity, including the capability of its leadership and the individuals within it</a>	15
F	<a href="#">Managing risks and performance through robust internal control and strong financial management</a>	19
G	<a href="#">Implementing good practices in transparency, reporting and audit to deliver effective accountability</a>	25
	<a href="#">Assurance Statement</a>	28

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The Council is the Administering Authority for the Clwyd Pension Fund (the Pension Fund). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund.

There are further specific requirements for the Pension Fund which are:

- The Statement of Investment Principles;
- Funding Strategy Statement;
- A full Actuarial Valuation to be carried out every third year.

**A. Core principle: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

**Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

**Behaving with integrity**

1. Ensuring members and employees behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Organisation.
2. Ensuring members take the lead in establishing specific values for the organisation and its employees and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)
3. Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies/processes such as which are reviewed on a regular basis to ensure that they are operating effectively.

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- The Council's Constitution contains the general principles for the Council's governance arrangements and the Monitoring Officer monitors and reviews its operation to ensure that the aims and principles are given full effect and kept relevant. Sections 19-23 of the Constitution have the Codes of Conduct and Protocols which Members and Officers (employees) have agreed to comply with. The Council requires members, whether they are elected or co-opted, to sign and to be bound by our Code of Conduct. Collectively, these codes and protocols reflect the Nolan Principles and translate them into behaviours that support the principles. This information can be found in the [Constitution](#):
  - *Code of Conduct for Members* (1,2,3,& 4)
  - *The Flintshire Standard which contains a Local Resolution Procedure for complaints about member behaviour* (1,2,3 & 4)
  - *Protocol for members in their dealings with contractors, developers and other third parties.* (1,3 & 4)
  - *Protocol on Member/ Officer relations* (1,2,3 & 4)
  - *Officers' Code of Conduct* (1,3 & 4)
- The Council operates an effective elections protocol, ensuring high standards are upheld during election periods. (1)
- Employees are also bound by a policy of 'politically restricted posts'. This policy ensures that all qualifying employees comply with any statutory restrictions on their political activities. (1)
- The Council has an appraisal system for employees which is based on the Council's [Behavioural Competency Framework](#) (3) and links to the Council's objectives set out in the [Council Plan](#). There are also [Diversity and Equality](#) and [Dignity at Work](#) policies. (1,2,3 & 4)
- The Council has an [Anti-fraud and Corruption Strategy](#), [Fraud Response Plan](#) and a [Whistleblowing Policy](#) which are reviewed and updated

periodically. (1,2, 3, & 4)

### Demonstrating strong commitment to ethical values

5. Seeking to establish, monitor and maintain the organisation's ethical standards and performance
6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's operation
7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values
8. Ensuring the external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation

- The Council's reputation and standing are important, and the Council's commitment to the rule of law and ethical values is expressed in: 'Gorau Tarian Cyfiawnder' (The Best Shield is Justice) which is the motto on the Council's coat of arms. The Council observes the seven principles of public life (Nolan principles) which are selflessness, integrity, objectivity, accountability, openness, honesty and leadership [Striking the Balance - Upholding the Seven Principles of Public Life in Regulation](#)
- The Council's commitment to these principles is shown in the codes and policies below which is found in the [Constitution](#):
  - *Code of Conduct for Members* (5,6)
  - *The Flintshire Standard* which contains a *Local Resolution Procedure for complaints about member behaviour* (5,6)
  - *Protocol for members in their dealings with contractors, developers and other third parties.* (5,6)
  - *Protocol on Member/ Officer relations* (5,6)
  - *Officers' Code of Conduct* (5,6)
- The Constitution contains comprehensive Contract and Financial Procedure Rules governing the procurement process to be adopted in conducting the Council's business, they are available on the website. [The Contract Procedure Rules](#) were reviewed in 2016 and [Financial Procedure Rules](#) (FPRs) are reviewed every two years. The latest review of FPRs was undertaken in November 2017.(7)
- The Council's [Procurement Strategy](#) enables the delivery of cost effective goods and services and ensures that the contribution of the Council's procurement activity on the local economy, especially social enterprise is improved. (7)
- The Contract Procedure Rules ensure that obligations under the [Wellbeing of Future Generations \(Wales\) Act 2015](#) as well as the Public Sector Equality Duty under the [Equality Act 2010](#) are complied with. (8)
- The Council has adopted a set of Community Benefits ([link required](#)) to underpin procurement, grants and community-related activity. (8)

### Respecting the rule of law

9. Ensuring members and employees demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.
10. Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
11. Striving to optimise the use the Council's full powers available for the benefit of its citizens, its communities and other stakeholders.
12. Dealing with breaches of legal and regulatory provisions effectively.
13. Ensuring corruption and misuse of power are dealt with effectively.

- The Council's Chief Officer (Governance) is the Monitoring Officer and Senior Information Risk Officer (SIRO) (9,10,11,12,13)
- The Internal Audit function within the Governance Portfolio reports regularly to the Audit Committee. Membership of the Audit committee includes an independent lay member. (9,11,12,13)
- The Council has a Standards Committee comprising nine members, five of whom are independent of the Council, three are county councillors and the other represents community councils. The committee promotes and maintains high standards of conduct by councillors and co-opted members. (9,10,11,12,13)
- The Council's relationship with the Wales Audit Office and other regulatory bodies remains strong. (11)
- The Council has a robust Overview & Scrutiny function which consists of six committees which each have 15 elected members and dedicated officer support. (9,10,11) The committees are:
  - Community & Enterprise;
  - Corporate Resources;
  - Education & Youth, which has five statutory co-opted members;
  - Environment;
  - Organisational Change; and
  - Social & Healthcare
- If the Council fail to address or resolve customer complaints to the complainant's satisfaction, they have recourse to the Public Services Ombudsman for Wales, whose contact details are published on the Council's website. (9,10,12,13)
- The Council is answerable to other regulatory/statutory bodies, examples include Information Commissioner's Office and the Equality and Human Rights Commission, plus the four Welsh Commissioners for Welsh Language, Future Generations, Children and Older People. (9, 11,12)

- In addition to its open culture, the Council has a clear Whistleblowing Policy for those who wish to report malpractice. This policy is also promoted to contractors with the council.

**A. Core principle: Ensuring openness and comprehensive stakeholder engagement**

**Ensuring openness and comprehensive stakeholder engagement**

**Openness**

14. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.
15. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping decisions confidential should be provided.
16. Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
17. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.

- The Council uses the website, its intranet and its partner and partnership networks to continually demonstrate its commitment to openness. (14)
- Most reports are considered in public and in the cases where this is not the case, the Committee has resolved to exclude the press and public after the Monitoring Officer or Deputy Monitoring Officer have decided there is a proper legal basis for doing so. The Council's Overview and Scrutiny Committees produce an [annual report](#) on their work which is considered by the Council. The committee agenda & minutes held on the Council's website provides a record of the Council decision making and supporting information. Audit committee receive a report all open actions within Portfolios which is a public document. (15)
- The report author provides a summary of the main features of the report, which identifies how the recommendations have been arrived at. The executive summary assists in terms of presenting the report. Meetings of the full Council and the Planning Committee are now web-cast and minutes of other meetings are drafted to provide the reader with the 'sense' of the meeting, leading to the decisions made which are reflected in the resolutions recorded. All committee papers, excluding part two items, are available within the public domain. (16)
- Consultation and engagement with customers and communities takes place on a number of different levels: representative democracy through elected members, structured engagement through for example the County Forum meetings (with Town and Community Councils), formal needs assessments through strategic partnerships, surveys and feedback mechanisms such as workshops and roadshows. The methods used are selected according to requirements, audience and coverage. The feedback received helps to shape and develop how the Council does things and assists decision makers in understanding the impacts on communities. (17)
- The Council has [Core Principles for Public Engagement and Consultation](#), a [Compliments, Concerns and Complaints](#) feedback arrangement and a [Customer Services Strategy](#) (17)



- The Council's consultation and engagement practices are varied in both scale and method depending upon the nature of the subject area. They can range from a voluntary household survey on a variety of council issues to a detailed statutory engagement process such as those undertaken for school reviews and social service changes. (17)

### Engaging comprehensively with institutional stakeholders

18. Effectively engaging with stakeholders to ensure that the purpose, objective and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
19. Developing formal and informal partnerships to allow for resources to be used more effectively and outcomes achieved more effectively.
20. Ensuring that partnerships are based on trust, a shared commitments to change, a culture that promotes and accepts challenge among partners; and that the added value of partnership working is explicit.

- The Council has channels of communication with all sections of the community and other stakeholders and puts in place proper monitoring arrangements to ensure they operate effectively (18)  
The Council has many ways of communicating with its citizens and stakeholders, including: -
  - The e-magazine 'Your Council'
  - Website
  - Social Media
  - Publications and leaflets
  - Events
  - Established links and regular meetings with local interest groups/forums
  - Invitations to members of the public to submit issues they consider should be considered by Overview and Scrutiny Committees
  - Consultation on the budget process with local stakeholders (residents and businesses) to help shape its budget proposals and encourage community involvement.
- The Council has formal and informal collaborative arrangements with other institutional stakeholders to allow for resources to be used more effectively and outcomes achieved more effectively. The statutorily based [Public Services Board](#) is one of many collaboration partnerships across agencies; other collaborations revolve around regional services e.g. education (GwE) and Social Services Commissioning Hub. Other strategic partnerships include the Voluntary Sector Compact, People are Safe Board, Youth Justice Executive Board, Health, Wellbeing and Independence Board, the Part 9 Board, Regional Safeguarding Board and the North Wales Economic Ambition Board. The Council also holds quarterly meetings with the Town and Community Councils as the County Forum for common issues to be discussed and to raise awareness of council developments. (19)
- The Public Services Board has undertaken a well-being assessment of the Flintshire communities. This has informed a draft Well-being Plan which, once adopted in May 2018 will be the Plan which is being used by partners across the County to develop priorities and projects to

improve well-being.(19)

- Whenever a new partnership is created, care is taken to ensure that its legal status is clear, that it has appropriate terms of reference and that representatives are aware of the extent to which they can bind the Council. The Cabinet has set and agreed a protocol for the governance of partnership working including the full involvement of appropriate Overview and Scrutiny Committees and the Audit Committee. [Partnership self-assessments](#) include assessing the behaviour, performance, value for money and procedures of partnership arrangements. (20)

### **Engaging stakeholders effectively, including individual citizens and service users**

21. Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.
22. Ensuring communication methods are effective and that members and employees are clear about their roles with regard to community engagement.
23. Encouraging, collecting and evaluating the views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs.
24. Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
25. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.
26. Taking account of the interests of future generations of tax payers and services users.

- The Council has a consultation and engagement framework and guidelines/policy document plus adoption of a set of core consultation and engagement principles based on nationally identified best practice. (21,23,24)
- Communication methods are continually being reviewed to adapt to changing technologies and their impact. Members and employees have clear roles of accountability; members through their representative democracy and employees through more structured assessments, surveys and other ongoing impact and evidence gathering conversations such as those in Social Services. (22)
- The Council takes into account the impact and consequences of decisions on all members of the community through integrated assessment planning; especially with regard to budget planning and alternative delivery models. (25)
- The Council makes prudent judgements about the use of resources in line with the Wellbeing of Future Generations Act. (26)

## B. Core principle: Defining outcomes in terms of sustainable economic, social and environmental benefits

### Defining outcomes in terms of sustainable economic, social and environmental benefits

#### Defining outcomes

27. Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.
28. Specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer.
29. Delivering defined outcomes on a sustainable basis within the resources that will be available.
30. Identifying and managing risks to the achievement of outcomes.
31. Managing expectations effectively with regard to determining priorities and making the best use of the resources available.

- The County Council's [Council Plan 2017-23](#) is available on the Council's website. The Council Plan has been reset to reflect the new administrative period. (27, 28)
- The Council sets a number of priorities for itself as an individual partner. Priorities for the 2017/18 Council Plan are: Supportive Council, Ambitious Council, Learning Council, Green Council, Connected Council and Serving Council. Each priority has a statement of outcome, achievement targets (both as performance measures and milestones) and rationale for the selected priority. All priorities are reviewed annually in terms of impact of particular changes. (27, 28)
- The Council has a resilient approach to Business Planning for sustainable services including efficiency planning to meet reductions in national funding and increases in local demands and pressures. The Council's [Medium Term Financial Strategy](#) – summary 2016/17 describes the Council's approach to maintaining valued services within the financial constraints. (29)
- The Council's [Medium Term Financial Strategy](#) and [Capital Strategy and Asset Management Plan 2016 – 2020](#) outline the resources that are available to deliver outcomes. (29)
- Additionally the Council has set a series of 'Resilience Statements' for each portfolio which provides a measured assessment of the resilience of each service area. (29, 31)
- Risk management is integral to the Council's delivery of objectives, statutory duties, project and change programmes and partnership delivery. It is considered during development and monitoring of all the Council's priorities, projects and Portfolio Business Plans. Strategic risks within the Council Plan are monitored quarterly and reported to Cabinet, Overview and Scrutiny Committees. The Audit Committee receives a half

yearly report on these risks. Programme Boards monitor all Business Plan risks. ([Risk Management Policy and Strategy](#)) (30)

- The Council's Portfolio Business Plan Programme measures efficiencies, reviews impact (acceptability and deliverability) with more in-depth impact assessments being undertaken where appropriate. (31)
- In addition the Council is supported by a number of corporate strategies which provide a clear framework for the management of Council resources and support council change and transition. These strategies are: the [Medium Term Financial Strategy](#), the [Capital Strategy and Asset Management Plan](#), the [Digital Strategy](#), the [Customer Services Strategy](#) and [People Strategy](#). (31)

### **Sustainable economic, social and environmental benefits**

32. Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.
33. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently whether there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints.
34. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
35. Ensuring fair access to services.

- The Council is working towards the Well-being of Future Generations (WBFG) principles of sustainability which include economic, social, environmental and cultural impacts within all of its objectives and obligations. (32,33)
- The Council's budget setting policy and approach is one which seeks to protect and sustain for the longer term valuable public services.(32,33)
- The Council has an updated, standard report format and supporting guidance. Report authors are expected to identify any risks, impacts and mitigations within a section of the report "Key Risks and Mitigation". This must include a paragraph in the main body of the report to confirm that an Equality and Welsh Language Impact Assessment (EWLIA) to comply with the Equality Act 2010 Public Sector Equality Duties and Welsh Language Standards has been carried out. If an EWLIA has not been completed, authors are required to state the reasons why one was not needed. (32)
- Reports must also consider any implications under the [Wellbeing of Future Generations \(Wales\) Act 2015](#). This places a sustainable development and wellbeing duty on public bodies, together with the need to measure performance towards those wellbeing goals and objectives. (32,33 and 34)
- The annual Capital programme is linked to the [Capital Strategy and Asset Management Plan 2016 – 2020](#) and is available on the website. (32,33)

- The Strategy is in three parts, Statutory/Regulatory, Retained Assets and Investments. The Investment section is for new schemes arising from Portfolio Business Plans and the Council Plan based on sound business cases. (32)
- Equality and Welsh Language Impact Assessments are undertaken as part of a wider Integrated Impact Assessment process and published in relation to policy and business decisions as well as setting the budget. These have been reviewed to integrate all requirements of the WBFG (34,35)

## C. Core principle: Determining the interventions necessary to optimise the achievements of the intended outcomes

### Determining the interventions necessary to optimise the achievement of the intended outcomes

#### Determining interventions

36. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.
37. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.

- Discussions between Members and employees on the information needs of members to support decision making can take place in a number of ways: formally at a committee meeting, Task & Finish group or workshop, or informally at a briefing. (36) Examples can be found within the [Committee System](#)- particularly when considering Business Plan efficiency proposals and quarterly performance reports.
- During discussions at committees, additional information can be requested. This is with agreement of the timescales: (36) examples can be found in [committee minutes](#).
- Report authors are required to indicate what consultation was required, undertaken and the results. Section B provides further details. Report guidance is within the template and the report guidance. (37) [Guidance Notes](#).

#### Planning interventions

38. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
  39. Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered.
  40. Considering and monitoring risks facing each partner when working collaboratively including shared risks.
  41. Ensuring arrangements are flexible/agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.
  42. Establishing appropriate local performance indicators (as well as statutory or other national performance indicators) as part of the planning process in order to assess how the performance of services is to be measured.
  43. Ensuring capacity exists to generate the information required to review service quality regularly.
  44. Preparing budgets in accordance with organisational objectives, strategies and the medium term financial strategy.
  45. Informing medium and long term resources planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
- The Council's Schedule of Meetings for the ensuing municipal year is considered at the Annual Meeting of Council which is held each May.

The Forward Work Programme for Council, Cabinet and Committees is considered at each meeting of the Cabinet. Each of the six Overview & Scrutiny committees reconsiders its forward work programme at each ordinary meeting. This ensures that it stays relevant to committee needs. (38,39)

- Business planning and objective planning and monitoring are contained within quarterly and Council Plan reporting. (38)
- An integral part of business planning is understanding and taking action against risks related to the business. The Council's risk management processes are embedded and include, operational, project, strategic, and collaborative partnerships risks. A corporate risk management model as described in the Risk Management Strategy and Policy supports these arrangements. The Council's strategic risks are included within the Council Plan which is embedded within the portfolio business planning processes. This is supplemented by external review and inspection. (38)
- The Council's consultation and [engagement framework and guidelines/policy document policy](#) provides guidance regarding internal and external stakeholder involvement. In addition co-production is being used as a methodology (especially in Social Services) to involve users in the commissioning of services. (39)
- The Council has a range of partnerships working at different levels. [Risk management](#) is an important and essential consideration for all partnerships that the Council lead on. This can be demonstrated by the partnership self-assessment that the Strategic Partnerships undertake on a bi-annual basis to determine risks/challenges for each of the partners and the partnership itself. (40)
- Reviews of shared risks are undertaken at the various partnership boards. (40)
- A regular reviews of plans is undertaken at strategic levels during quarterly monitoring. The Council's Programme Boards also review efficiency plans on a monthly basis. (41)
- In setting direction and prioritising resources the Council sets performance targets against each priority and monitors them through the use of National Key Performance Indicators (KPI's) set by the Welsh Government and the local government family, and local indicators set by the Council. Performance indicators are the 'success measures' for the Council and viewed publicly by Government, regulators and the public. (42)
- The CAMMS system (performance, risk and project management system) assists with the capacity requirements both at portfolio level and corporately to review service quality. The Council also engages with a range of benchmarking groups such as the Association for Public Service Excellence (APSE), CLAW etc. to review service quality and productivity. (42)
- Reports include detailed performance results and highlight areas where corrective action is necessary (43)
- Budgets are prepared in accordance with organisational objectives, strategies and the Medium Term Financial Strategy (MTFS) (44)

- The [MTFS](#) and annual budget setting process aims to ensure that planning decisions are informed by realistic estimates of expenditure and revenue (45)

### Optimising achievement of intended outcomes

46. Ensuring the medium term financial strategy integrates and balances off service priorities, affordability and other resource constraints.
47. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
48. Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
49. Ensuring the achievement of 'social value' or 'community benefits' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community... over and above the direct purchasing of goods, services and outcomes"

- [The Medium Term Financial Strategy](#) (MTFS) and annual budget setting process integrates priorities with resource constraints. The MTFS is in two parts. The first forecasts the resources the Council is likely to have over the next three years. The second part [Meeting the Financial Challenge](#) sets out plans and solutions for managing with reducing resources over this three year period. (46,47)
- The annual budgeting process and Portfolio business plans take into account the medium and long term priorities from the MTFS aligned with the resources made available to the Council. (46,47,48)
- [The Procurement Strategy](#) and [Contract Procedure Rules](#) ensure that adequate emphasis is placed on 'community benefit'. (49)
- The Council has adopted a set of Community Benefits ([link required](#)) to underpin procurement, grants and community-related activity. (49)



## D. Core principle: Developing the entity's capacity, including the capability of its leadership and the individuals within it

### Developing the entity's capacity, including the capability of its leadership and the individuals within it

#### Developing the entity's capacity

50. Reviewing operations, performance and, use of assets on a regular basis to ensure their continuing effectiveness.
51. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently.
52. Recognising the benefits of partnerships and collaborative working where added value can be achieved.
53. Developing and maintaining an effective workforce plan to enhance strategic allocation of resources.

- The Annual Performance Report provides detailed information of the Council's plans and their desired impacts. (50,51)
- The Annual Performance Report provides a general performance and progress profile as to how the Council is improving the level of efficiency and effectiveness of its services in line with its Council Plan. (50,51)
- The Council's Capital Strategy and Asset Management Plan as agreed by County Council in January 2016 also provides a longer term (10 year) view which is to be reviewed on a periodic basis. (50,51)
- The Council's People, Digital and Customer Strategies are reviewed and developed as part of Portfolio planning and monitoring. (50)
- The Council engages with a range of benchmarking groups such as the Association of Public Service Excellence; Consortium of Local Authorities in Wales; CIPFA etc. to review service quality and productivity. (51)
- The Wales Audit Office review the Council's performance and value for money arrangements through their Improvement Assessment work and report their findings in various letters and their Annual Improvement Report. (51,52)
- The benefits of collaborative working with partners can be seen through the work of the Flintshire Public Services Board and its predecessor the Local Service Board. Flintshire is the lead on the North Wales Residual Waste Treatment Project, having recognised that the scale and cost was beyond the capacity of a single local authority acting alone. The value of partnership and collaborative working is recognised by the Council as something that helps sustain services and provides added value to programmes such as intervention and prevention, where one partner acting alone cannot effect the change that is needed. (52)
- The Council's [People Strategy](#) has been considered and endorsed by the Cabinet and the Corporate Resources Overview & Scrutiny Committee. (53)

- Employee capacity and assurance methodologies to support change management have been developed by the Council using such techniques as transition plan management, workforce succession plans and service resilience and efficiency statements. (53)

### **Developing the capability of the entity's leadership and other individuals**

54. Developing protocols to ensure that elected and appointed leaders negotiate their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
55. Publishing a statement that specifies the types of decisions delegated to the executive and those reserved for the collective decision making of the Council.
56. Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.
57. Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.
58. Ensuring employees have access to appropriate induction tailored to their role with ongoing training and development matching individual and organisational requirements is available and encouraged.
59. Ensuring members and employee have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to continuously update their knowledge.
60. Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses.
61. Ensuring that there are structures in place to encourage public participation
62. Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
63. Holding employees to account through regular performance reviews which take account of training and development needs.
64. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

- The Council has adopted a Constitution, last reviewed May 2016, which includes a Delegation Scheme which identifies those decisions reserved to the County Council for decision, those local choice issues which are decided by the County Council, those decisions which will be taken by the Cabinet or its individual members, and those which are delegated to Chief Officers and senior officers. Local choice issues are reviewed at the Council's Annual Meeting. In this respect, the basic principle on which these rules are established is that the full Council sets the strategic direction through the adoption of policies and the budget, the Cabinet takes major decisions within the overall policy and budget framework and helps to develop new policies and officers take the day to day decisions within the policy and budget framework. The Delegation Scheme is subject to frequent review. (54,55)

- The Constitution sets out clearly the role of the Leader and Cabinet and in particular makes it clear that they are responsible for providing effective strategic leadership to the Council and for ensuring that the Council successfully discharges its overall responsibilities for the activities of the organisation as a whole. It also ensures through Financial Procedure Rules and the Scheme of Delegated Powers that there is effective control over the day to day conduct of the Council's business by requiring Member approval for decisions outside defined parameters. (56)
- The Council's Constitution includes the names and a description of the portfolios held by the Leader and other Members of the Cabinet. Their respective roles have been agreed and documented. Role descriptions are in place for all chairs and vice-chairs of Overview and Scrutiny Committees, regulatory committees and Members of Overview and Scrutiny Committees are similarly documented.(57)
- Following the implementation of the new senior management structure in 2012, the Council is in a better position to respond successfully to changes in legal and policy demands. (57)
- Managers are responsible for ensuring all new employees have an induction. There is a generic induction checklist which is completed in addition to a service specific induction. The generic induction session is provided to groups of new employees and includes modules on customer care and governance. (58)
- Following County Council elections a Member induction programme is devised and delivered. The Council ensures that Members have the skills required to undertake their roles and that those skills are developed on a continuing basis to improve performance through: (59)
  - Development and training programmes, including those provided by professional organisations.
  - Member induction training.
  - A mentoring system for Members.
  - An annual Member Development Programme.
  - The Council's Member Development Strategy.
  - Training on the Members' Code of Conduct.
  - Specific training for Members on planning, licensing, audit and risk management.
- Section 11 and Appendix 1 of the Council's Constitution details the roles of the Head of Paid Services, Monitoring Officer and Chief Finance Officer (S151 Officer) and Statutory Head of Democratic Services. Job descriptions are also in place for all senior officers of the Council and the senior management structure is kept under review to ensure its continued appropriateness.
- For employees there is a competency based appraisal framework in place that is used to monitor and measure performance, competency, delivery of objectives within the services and any training and personal development needs. Succession planning is a key to manage the future skills and knowledge. Availability of coaching and mentoring. (59)
- The development of action plans as a response to issues raised by the Council's regulators, the emphasis which is placed on keeping Members informed and involved with new developments through workshops and the use of officer appraisals are all indicative of the Council's commitment

to being a 'learning organisation' (60)

- The Council holds annual public consultation meetings on budget proposals, in addition to having a compliments and complaints scheme and statutory protocols for public engagement in Overview & Scrutiny (61)
- The Council welcomes peer reviews of both governance arrangements and service delivery to improve the effectiveness of leadership. (62)
- The Council ensures that career structures are in place for all employees and encourages participation and development through: (62,63)
  - development of a Corporate Performance Management framework
  - development of a People Strategy
  - periodic restructuring of the Council's senior management
  - annual competency based appraisals and continuous professional development
- The Council ensures that employees have the skills required to undertake their roles and that those skills are developed on a continuing basis to improve performance through: (63)
  - Employee appraisal as part of a performance management system which also identifies training and development needs and how these will be met
  - Induction training
  - Talent management
  - The development of leadership and management behavioural competencies
  - Development and training programmes, including those provided by professional organisations
  - Management Development Programme
  - Senior Management Academi
- All HR policies and Health and Wellbeing Policies are available on the internal Infonet. These include Manager support toolkits; Occupational Health support; development/revision of policies e.g. Drug and Alcohol abuse / Domestic abuse. The Council has also introduced an Employee Assistance Programme, 'Carefirst', which provides support 24 hours a day, 365 days of the year. (64)

## E. Core principle: Managing risks and performance through robust internal control and strong financial management

### Managing risks through performance through robust internal control and strong public financial management

#### Managing risk

65. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
66. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
67. Ensuring that responsibilities for managing individual risks are clearly allocated.

- A refreshed approach to risk management, approved by the Audit Committee in June 2015, incorporates: (65)
  - Enhanced descriptions of risk including an explanation of the impact if the ‘risk’ were to be realised and become the ‘issue’ to be dealt with.
  - A more sophisticated risk matrix, moving from a 3 x 3 matrix to a 6 x 4 matrix for likelihood and impact; allowing more options to show how the risk is increasing or decreasing dependent on the success of mitigating actions and influence of external conditions.
  - Clearer guidance for escalating and reviewing/reporting risk; the more the significant the risk, the more frequently it is reviewed.
  - An improved format to capture both new and emerging risks and also allow for a risk to be ‘closed’ once it has been mitigated or realised as an issue being dealt with.
  - The reporting of ‘risk’ more prominently within Council reports
- Operational risks are captured and monitored through supporting plans and strategies within their operational areas and through project/programme boards as appropriate. Partnership and project risks are captured by and reported to the appropriate boards. (65,66)
- The Council identifies and evaluates its strategic risks in relation to the priorities within the Council Plan. These form the basis of the Council’s strategic risk register. Accountability for risk ownership is clearly recorded within the CAMMS system for all strategic risks. Portfolio Business Plan risk owners are also clearly identified on the risk trackers. Strategic risks are reported on a quarterly basis to Cabinet and the relevant Overview and Scrutiny Committees as part of the Council Plan Monitoring Reports. Accountability for operational risks are detailed within individual service plans with clear escalation procedures in place to escalate from an operational to strategic risk. Additionally, Audit Committee receives a report twice yearly which includes a strategic risk summary/overview and seeks assurance on actions taken to reduce risks. (66,67)

#### Managing performance

68. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.

69. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
70. Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible.
71. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
72. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

- Portfolio business efficiency plans focus on service reform through reduced operating costs, modernisation and improvement. Portfolio business plans and the associated efficiency tracking is being scheduled to be automated via the CAMMS Performance Management system. Post implementation review and learning is undertaken at project level and also on a more collective basis by the Chief Officer team. (68)
- Integrated impact assessments to review financial, social and environmental implications, risks and mitigations have been developed by the Council to bring a co-ordinated and considered model of transparency to aid decision-making. (69)
- The Council has six Overview & Scrutiny committees (Community & Enterprise; Corporate Resources; Education & Youth; Environment; Organisational Change and Social & Healthcare), which are politically balanced and comprise 15 elected members each. Each acts as a critical friend, providing constructive challenge in order to contribute to continuous service improvement. The terms of the committees were redrawn with effect from the 2015 Annual meeting of Council, following an extensive review of the committee structure. The role of Overview & Scrutiny is to:
  - hold the Cabinet to account,
  - assist in improving and developing Council policies,
  - monitor service delivery; and
  - Contribute to improving the local community.

This role is discharged both through consultation by the Cabinet and Chief Officers and also through the 'calling in' of Cabinet decisions by the six functional Overview & Scrutiny Committees. Each of those Committees engages in performance monitoring and management through the consideration of appropriate items such as performance objectives and indicator outturns, risk identification and mitigation. The work programmes of Overview & Scrutiny are updated and published on a regular basis. The involvement of the Overview & Scrutiny committees in Improvement and Performance is a key function, with reports being made to each of the committees on at least a quarterly basis. Members also sit on Programme Boards where progress and outcomes against service delivery plans is monitored. (70,71)

- The agendas and minutes of meetings are published on the Council's website and the Overview & Scrutiny Annual Report is published each autumn. (70,71)

- The Councils budget monitoring process and reports ensure that there is consistency between specification stages and budgets and post implementation reporting in financial statements, formal budget monitoring reports are reported to Members monthly at both Cabinet and the Corporate Resources Overview & Scrutiny Committee.(72)

### Robust internal control

73. Aligning the risk management strategy and policies on internal control with achieving the Council's objectives.
74. Evaluating and monitoring the Council's risk management and internal control on a regular basis.
75. Ensuring effective counter-fraud and anti-corruption arrangements are in place.
76. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
77. Ensuring an audit committee or equivalent group or function which is independent of the executive provides a further source of effective assurance arrangements for managing risk and maintain an effective control environment and that its recommendations are listened to and acted upon.

- The Council's Risk Management Strategy and Policy plus other internal controls (financial, legal, workforce) align to the efficient and effective delivery of the Council's objectives in the Council Plan and those of the portfolio Business Plans, other portfolio strategic plans and individual service plans.(73)
- The Risk Management Strategy and Policy is reviewed and endorsed by the Audit Committee; its outcomes and effectiveness being reviewed at least half yearly through the strategic risk reports. In addition Internal Audit undertakes regular specific reviews of the effectiveness of the Risk Management Strategy
- Compliance with the Code of Practice on Managing Risk of Fraud and Corruption (CIPFA 2014) is assessed at each revision, non-compliance is identified and actions are taken to ensure compliance in line with [Corporate Anti-Fraud and Corruption Strategy](#). (75)
- The Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. Internal Audit 'generally conforms' with the PSIAS requirements according to a self-assessment and external assessment in 2016/17, which means that the relevant structures, policies and procedures of the department, as well as the processes by which they are applied, comply with the requirements of the Standards and of the Code of Ethics in all material respects. (76)
- The Council has an Audit Committee consisting of seven politically balanced Members and a lay member. The Chair and Vice Chair are chosen by the Committee itself from amongst the opposition group(s), non-aligned Councillors, or lay member. It meets on a regular basis and is advised by the Council's Internal Audit Manager, and is normally attended by representatives of the Council's external auditors. All Members receive training and it is a requirement that only trained substitutes are allowed. The Audit Committee is further supported in the discharge of its functions

by:-

- Having appropriate arrangements in place for delivery of an adequate and effective Internal Audit function and ensuring adequate reporting arrangements to safeguard its independence.
- An up to date risk based Internal Audit Plan.
- Systematic risk assessments in all areas of the Council's activities; both at a strategic level supporting the Council's improvement priorities and at an operational Chief Officer level. (77)

## Managing Data

78. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data used.
79. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
80. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

- The Data Management Framework and procedures are available to all employees via the Council's internal Infonet. (78)
- Data Protection is within the remit of the Information Governance Manager. Under the revised General Data Protection Regulation (GDPR), there is a statutory Data Protection Officer position that must be independent and report directly to the Chief Executive. The responsibilities of the Data Protection Officer have been allocated to the Information Governance Manager and Internal Audit, the role has been split to ensure independent scrutiny. Additional resource has been allocated to support the implementation of GDPR and good progress is being made towards the implementation in May 2018.(78)
- Data protection policies and procedures are available on the website: (78)  
<http://www.flintshire.gov.uk/en/Resident/Data-Protection-and-Freedom-of-Information/Data-Protection.aspx>  
<http://www.flintshire.gov.uk/en/Resident/Contact-Us/Privacy-Notice.aspx>
- There is a template for Data Processing Agreements and all Managers are required to send completed versions to the Information Governance Team to be held centrally. (78)
- The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI). All Information Sharing Protocols (ISP's) must be approved in line with the WASPI requirements. A log of all ISP's is held internally but is also available on the WASPI website  
<http://www.waspi.org/> (79)
- To comply with Data validation procedures all new IT systems must be assessed against the IT Technical Specification, this includes Data



Validation. Suppliers will respond as compliant, partial compliant or non-compliant. Individual Service Managers will then decide whether to proceed based on the Supplier's response. (78,79,80)

- The Council is subject to an annual independent security assessment in order to connect to the Public Sector Network (PSN). (78)
- The quality and accuracy of data is checked in a number of ways: performance data is produced through the CAMMS system (internal controls and rules are prescribed by the Council) and also quality checked to ensure 'sense' and readability. Additionally, external checks are made by other bodies such as Wales Audit Office and Local Government Data Unit to ensure compliance with guidance. (80)

### **Strong public financial management**

81. Ensuring the Council's financial management supports both long term achievement of outcomes and short-term financial and operational performance.
82. Ensuring well-developed financial management is integrated at all organisational levels of planning and control, including management of financial risks and controls.

- The Council has a [Medium Term Financial Strategy](#) which is published on the web site. (81)
- The strategy is in two parts, the first part forecasts the resources the Council is likely to have over the next three years and part two sets out the plans and solutions to managing with reducing resources.(81)
- Business efficiency plans are one of three parts of the Council's Medium Term Financial Strategy focusing on service reform through reduced operating costs, modernisation and improvement. (82)
- The Council's process for setting its annual revenue budget and capital programme is set out in the Budget and Policy Framework Procedure Rules in Part 4 of the Constitution. When the Council sets its budget, elected members take account of the level of risk and uncertainty regarding its budgetary estimates in the context of the prevailing economy, public services' climate and the demand for services. (82)
- The Council operates a scheme of delegated budgets supported by the Corporate Finance team which consists of central and service based finance teams supporting budget managers. Revenue budget monitoring reports, including full year forecasts, are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a monthly basis. Capital Programme monitoring reports are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a quarterly basis. In both instances, these reports identify reasons for variances and set out any corrective action that is proposed. (82)
- The Council has adopted the Chartered Institute of Public Finance Accountants (CIPFA) Treasury Management in the Public Services: Code

of Practice. Treasury Management is conducted in accordance with the Council's Treasury Management Policy and Strategy Statement and Treasury Management Practices which are both reviewed annually. All borrowing and long term financing is made in accordance with CIPFA's Prudential Code. Treasury Management update reports are made to the Audit Committee, Cabinet and Council on a quarterly basis. (82)

- Wales Audit Office have issued the Council's [Financial Resilience Report](#) (published end Nov. 2017) (82)
- The Council has established an internal set of performance indicators for the Medium Term Financial Strategy; a selection of which are set and monitored within the Council Plan (82)

## F. Core principle: Implementing good practices in transparency, reporting and audit to deliver effective accountability

### Implementing good practices in transparency, reporting and audit to deliver effective accountability

#### Implementing good practice in transparency

83. Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
84. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny whilst not being too onerous for the Council to provide and for users to understand.

- The Council puts as much information as possible on the Council's website, in both English and Welsh. The report format has been revised to make reports simpler and shorter, with a glossary of technical terms now included. Report guidance for report authors has also been refreshed. The [Council's publication scheme](#) under the Freedom of Information Act 2000 is available on the website, so that public and stakeholders can see what information is readily accessible. (83,84)
- Easy read versions of strategies and public documents are made where possible for publication on the website. (83,84)

#### Implementing good practices in reporting

85. Reporting at least annually on performance, value for money and the stewardship of its resources.
  86. Ensuring members and senior management own the results.
  87. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement).
  88. Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.
  89. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.
- The Council publishes its [Annual Performance Report](#) and [Statement of Accounts](#) on the website. (85)

- The Statement of the Authority's Responsibilities for the Statement of Accounts is signed by the Chair of the County Council and the Chief Finance Officer. (86)
- The Council produces this annual Code of Corporate Governance and a Governance Statement which are produced in accordance with CIPFA/Solace principles. (87)
- An Annual Governance Statement is presented to Audit Committee and Council for approval every year. Once approved the Statement is signed by the Leader of the Council and the Chief Executive. The statement explains how the Council has complied with the Code of Corporate Governance, and met the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2014. The Code of Corporate Governance and the Annual Governance Statement are published on the Council's website. (87)
- If applicable, an appropriate accounting framework would be applied to jointly managed or shared services. (88)
- An audited and signed Statement of Accounts is published on an annual basis to reflect a true and fair view of the Council's financial position, as judged by the Council's external auditor (currently Wales Audit Office). Contained within the Statement of Accounts is a statement of responsibilities which confirms: - (89)
  - Compliance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.
  - The Council manages its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
  - Suitable accounting policies have been selected and consistently applied.
  - Judgements and estimates made are reasonable and prudent.
  - Reasonable steps have been taken to prevent and detect fraud and other irregularities.
  - Proper accounting records have been kept and are up to date.

### **Assurance and effective accountability**

90. Ensuring that recommendations for corrective action made by external audit are acted upon.
91. Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to the Council's governance arrangements and recommendations are acted upon.
92. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.
93. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement
94. Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

- External arrangements for regulation and assurance are provided by a number of statutorily appointed bodies principally the Wales Audit Office

(WAO), Estyn and the Care and Social Services Inspectorate Wales (CSSIW).The Council has a well-established practice of dealing with findings from the external regulatory bodies through referral to committees, formal responses and tracking, and open publication of regulatory reports in committee papers (with availability on the website). An annual summary report is presented to the Audit Committee showing all regulatory reports, their findings, the Council's response and where they were reported to. (90) In addition to external regulation by statutorily appointed bodies the Council welcomes peer challenge from local government and the public services family e.g. Welsh Local Government peer review of Finance. (92)

- The Council also undertakes regular self-assessments of its services through service review approaches and business efficiency planning. External validation of these assessments is also welcomed via benchmarking and commissioned assessments. (92)
- The Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. Internal Audit 'generally conforms' with the PSIAS requirements according to a self-assessment and external assessments in 2016/17 which means that the relevant structures, policies and procedures of the department, as well as the processes by which they are applied, comply with the requirements of the Standards and of the Code of Ethics in all material respects. (91)
- Following the review of the Overview & Scrutiny committee structure in 2014/15, an Organisational Change Overview & Scrutiny Committee is now in place. With a move towards alternative delivery models (ADM) for service provision, together with Community Asset Transfers (CAT) of major facilities such as Connah's Quay Swimming Pool and Holywell Leisure Centre, the Committee provides the supportive capacity and capability to deal with such new approaches. The committee is involved in the developmental stage of major work areas - something which has not been done previously. Members were reminded of the new approach to working style in the report to the Organisational Change Overview & Scrutiny Committee in November 2015 – [The role of the committee in supporting Organisational change](#). (93/94)

**Assurance Statements**

I am satisfied that there are effective governance arrangements in place, including a sound system of internal control, throughout the year ended 31<sup>st</sup> March 2017 and that this is ongoing.

Signed	Position	Date
	Chief Executive	
	Section 151 Officer	
	Chief Officer - Governance	



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 24 January 2018
<b>Report Subject</b>	Contract Management
<b>Cabinet Member</b>	Cabinet Member for Corporate Management and Assets
<b>Report Author</b>	Chief Officer (Governance)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

In November 2016 the Council adopted revised Contract Procedure Rules (CPRs). At the time some Members raised concerns about how the existing rules were applied to the management of contractors. Officers agreed to report back after 12 months on contract management.

Internal Audit carried out a review jointly with Denbighshire County Council in light of the collaborative procurement service and similar CPR's. In summary the review found:

1. There is now a process for monitoring contractor performance which is being set up on the Council's e procurement solution
2. Training on the contract management module of the e procurement solution has been offered
3. The CPR's state that contract management should be recorded on the e procurement solution
4. Contract management is taking place but is not always being recorded on the e procurement solution even where, in a small number of cases, training on how to do so has been undertaken
5. There are examples of contracts not being signed or recorded on the contracts register
6. For longer term contracts it is not clear who is to review documentation such as insurance and to check on financial standing

An action plan to address the shortcomings has been agreed. Steps to be taken include:

- Further training will be provided on:
  - recording contracts over £25,000 in the contracts register
  - recording contractor performance monitoring on the e procurement solution
  - using the system to prompt and record annual documentation checks

- All Procurement Category Managers will ensure that, for contracts over £25,000, a signed contract is in place before a purchase order is raised and approved and that the contract is recorded on the contract register.

## RECOMMENDATIONS

1	That Members are assured that the remedial actions identified will, if implemented, address the control weaknesses identified.
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## REPORT DETAILS

1.00	CONTRACT PROCEDURE RULES
1.01	When the Council adopted revised CPR's in November 2016 some Members of the Audit Committee shared concerns about contract management. Officers agreed to report back on the issue. Internal Audit therefore carried out a review of contract management. In light of the fact that Denbighshire County Council hosts the collaborative procurement unit and has adopted similar CPR's, the review was undertaken jointly with each service carrying out an audit of different parts of the procurement process in both councils.
1.02	Following approval of the revised CPR's training was provided to 76 people across 6 sessions. The training covered the need to record contract management data on the e-procurement system. Further sessions covered another 47 people who have been trained on using the contract management element of the e-procurement system. Those systems users who have not attended training have been identified and have been targeted with invitations to training.
1.03	Internal Audit conducted its review during late 2017 after the training (mentioned above) had been delivered. The report is attached at Appendix A. It's key findings, in summary, are: <ol style="list-style-type: none"> <li>1. There is now a process for monitoring contractor performance which is being set up on the Council's e procurement solution</li> <li>2. Training on the contract management module of the e procurement solution has been offered</li> <li>3. The CPR's state that contract management should be recorded on the e procurement solution</li> <li>4. Contract management is taking place but is not always being recorded on the e procurement solution even where, in a small number of cases, training on how to do so has been undertaken</li> <li>5. There are examples of contracts not being signed or recorded on the contracts register</li> <li>6. For longer term contracts it is not clear who is to review documentation such as insurance and to check on financial standing</li> </ol>
1.04	The key point to note is that contract management is taking place. Unfortunately, it isn't being recorded so there is the potential that a



	contractor might perform badly for one service and then be awarded a contract centrally by another service in ignorance of those problems. This may, in part, have been due to the absence of a pro-forma for consistent recording of management data on the e-procurement system. That proforma is now in place and contract managers are being trained on its use.
1.05	A number of other failings were identified at the time of the review including: <ul style="list-style-type: none"> <li>I. Only 16.6% of contractors reviewed were recorded in the central contract register.</li> <li>II. Only 16.6% of the contracts reviewed had signed documentation in place.</li> <li>III. Not all users of the e-procurement system had undertaken training on how to record contract management on the system and a small proportion of those who had done so had not accessed the system since.</li> </ul>
1.06	There is an agreed action plan attached to the audit report. The list of remedial actions includes: <ul style="list-style-type: none"> <li>• Further training will be provided on: <ul style="list-style-type: none"> <li>○ recording contracts over £25,000 in the contracts register</li> <li>○ recording contractor performance monitoring on the e procurement solution</li> <li>○ using the system to prompt and record annual documentation checks</li> </ul> </li> <li>• All Procurement Category Managers will ensure that, for contracts over £25,000, a signed contract is in place before a purchase order is raised and approved and that the contract is recorded on the contract register</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There is no evidence of any financial loss to the Council arising out of the non-compliances. However, it is possible that officers are appointing contracts in ignorance of their poor performance and are thus needing to spend more time on performance. Likewise, the failure to record contracts on the contract register means that it is not possible to, amongst other things, plan strategically for a collaborative procurement on their expiry.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Failure to address the findings in the Internal Audit risks the continuance of non-compliance with our rules and increases the potential for poorly performing contractors to continue to deliver under-performing services

	without consequence.
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<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Internal Audit Report

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None  <b>Contact Officer:</b> Gareth Owens, Chief Officer (Governance) <b>Telephone:</b> 01352 70 2344 <b>E-mail:</b> gareth.legal@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	Category Manager – a senior procurement officer with responsibility for procuring contracts for specific goods and services such as IT contracts or construction contracts, (rather than procuring every contract on behalf of a particular Portfolio) Contract Procedure Rules – rule and procedures that ensure that contracts are awarded based on open and transparent competition

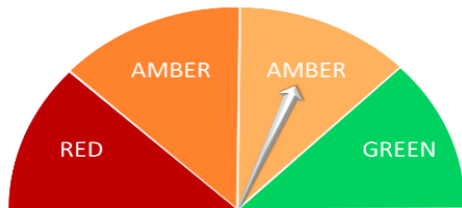
# Flintshire Internal Audit

## Audit Report

**Title:** Procurement (2016/17)  
**Portfolio:** Governance  
**Issued Dated:** January 2018  
**Report No:** 21-2016/17  
**Report Status:** Final Report

Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

### Audit Opinion



# 1. Executive Summary:

## Introduction and Scope:

As part of the Internal Audit annual plan for 2016/17 a joint review with Denbighshire County Council (DCC) of Procurement was undertaken.

Flintshire County Council's procurement spend in the financial year 2016/17 was £144,593,401

Denbighshire County Council's procurement spend in the financial year 2016/17 was £97,558,551

In November 2016 Flintshire County Council launched new Contract Procedure Rules (CPR's). The new CPR's aimed to provide more clarity and to be much easier to understand and follow than the previous version, which should lead to increased compliance over time. A significant amount of training was provided when the new CPRs were launched to further enhance understanding.

Our review concentrated on contractor management, performance monitoring and the operation of e-procurement across the Authority.

Whereas the DCC review concentrated on the tendering stage of the procurement process.

We included some of DCC's contracts in our sample testing and they covered some of FCC contracts in theirs. We will take account of the outcome of DCC's review in future procurement projects and plan to work jointly with them in future if possible.

## Audit Opinion:

In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. Appendix A of the report details our assurance levels:

Assurance:	Explanation
<b>Amber Green - Reasonable</b>	<p>Reasonable Assurance – Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> <li>• Key controls exist and are weaknesses and/or inconsistency in application though no evidence of any significant impact</li> <li>• Some refinement or addition of controls would enhance the control environment</li> <li>• Key objective could be better achieved with some relatively minor adjustments</li> </ul> <p>Conclusion: key controls generally operating effectively.</p>

The table below highlights the number and priority of agreed actions to be implemented.

Priority	High (Red)	Medium (Amber)	Low (Green)	Total
No.	0	7	0	7

## 2. Summary Findings:

Areas Managed Well	Areas for Further improvement
<ul style="list-style-type: none"> <li>• There is an e-sourcing system in place to capture all contracts and to detail contractor performance.</li> <li>• Training on the e-sourcing system has been offered to Contract Managers.</li> <li>• The Contract Procedure Rules clearly state that Contract Officers should use the e-sourcing system to capture all contracts and to detail contractor performance.</li> <li>• Contract Officers are monitoring the performance of contractors in a variety of ways on departmental systems (both manually and electronically) but not on the e-sourcing system.</li> </ul>	<ul style="list-style-type: none"> <li>• In all of the contracts there was evidence of performance monitoring of contractors typically: site visits, progress meetings, quarterly performance reports, checking that the work is carried out as per the specification etc. However, this process is not recorded centrally on the e-sourcing system.</li> <li>• Therefore the performance of contractors is not held in one central location viewable by all contract officers and as such it is possible that a contractor who performed poorly in one portfolio area could subsequently be used to carry out work in another portfolio area.</li> <li>• This was compounded by the fact that at the time of the review there was no generic performance template for Contract Officers to score the contractors and upload on to the e-sourcing system i.e. it is not easily identifiable from contractor monitoring information as to whether the contractor performed well or poorly.</li> <li>• Not all Contract Managers have received the e-sourcing training, and a small percentage of those that did receive the training, had not accessed the e-sourcing system.</li> <li>• Those officers who had received the training were not aware that contractor performance monitoring information is to be recorded centrally on e-sourcing system even though this is stipulated specifically in the CPR's.</li> <li>• It is unclear as to whose responsibility it is to carry out contractor vetting on longer term high value contracts i.e. reviewing the financial standing of the contractors, relevant insurances, Health &amp; Safety documentation etc.</li> <li>• Appropriately signed contracts were not always in place before works commenced.</li> <li>• The majority of the contracts were not recorded on the Proactis Contracts Register.</li> </ul>

### 3. Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1 (A)	<p>From sample testing carried out it became apparent that:</p> <ul style="list-style-type: none"> <li>Contract officers are not entering all contracts above £25,000 onto the Proactis Contracts Register (16.6% of the sample had been entered onto the Proactis Contracts register).</li> <li>Contract officers state they are not aware of how to send out email reminders on the e-sourcing solution for annual financial checks, insurance checks, Health &amp; Safety policy checks and Equal Opportunity Policy checks etc. on longer duration contracts.</li> <li>Contract officers state they are not aware of how to enter contractor performance and management information onto the e-sourcing solution (0% of the sample had entered contractor performance and management information onto the e-sourcing solution).</li> <li>At the time of the audit review there was no supplier performance management template in operation to score contractors in a consistent and standardised manner.</li> </ul> <p>The majority of the control weaknesses highlighted above are a failure to comply with the Contract Procedure Rules.</p>	<p>The Category Manager- Strategic Procurement to carry out refresher training sessions for all relevant Contract Officers focusing on the areas highlighted in this report. These refresher training sessions to be mandatory for all relevant contract officers. Training to include the following topics</p> <ul style="list-style-type: none"> <li>Contract officers to be reminded and re-trained to enter all contracts above £25,000 onto the Proactis Contracts Register.</li> <li>Specific re-training to be given to Contract Officers on how to send out email reminders on the e-sourcing solution for annual financial checks, insurance checks, Health &amp; Safety policy checks and Equal Opportunity Policy checks etc. on longer duration contracts.</li> <li>Specific re-training to be given on how to enter all contractor performance and management information onto the e-sourcing solution.</li> <li>Contract officers to receive training to enable them to consistently monitor the performance of contractors on the e-sourcing solution.</li> <li>Contract Officers to be trained to use the supplier performance management template</li> </ul>	Arwel Staples	31/08/18

No.	Findings and Implications	Agreed Action	Who	When
		<p>and to upload the results to the e-sourcing solution.</p> <ul style="list-style-type: none"> <li>Contract Officers to be reminded that approved lists should not be used for the appointment of contractors and that an appropriate procurement must be carried out.</li> </ul> <p>A record should be kept of all officers who have received the training.</p> <p>Additionally any officers requesting access to the system for the first time i.e. new users should undergo training before being allowed to use the system.</p> <p>Efforts should be made to ensure that all current users of the system have undergone training i.e. a comparison should be made between the training records held and the current users of the system. Any current users who have not received the training should be requested to do so.</p> <p>URN 02010</p>		
2 (A)	<p>CPR 1.11.1. states that 'the council will seek to replace all of these approved lists with more formal procurement arrangements by 31st March 2017'. It is presumed that the intention was to stop using Approved Lists. However, it was found that the Flintshire County Council Approved List is still being used. Additionally there are other approved lists in operation across the Authority. Internal Audit will carry out a follow up review to check that approved lists are not being used to appoint contractors.</p>	<p>A reminder should be sent to all Chief Officers to remind them that Approved Lists are not to be used to appoint contractors and that Council Officers must use an appropriate procurement process as required by the Contract Procedure Rules.</p> <p>URN 02011</p>	Gareth Owens	31/01/18

No.	Findings and Implications	Agreed Action	Who	When
3 (A)	<p>In all of the contracts in the sample there was evidence of performance monitoring of contractors typically: site visits, progress meetings, quarterly performance reports, checking that the work is carried out as per the specification etc.</p> <p>However this performance information is held in a variety of locations including financial systems, individual drives on pc's and in hard copy format.</p> <p>Contractor performance and management information is not held within the e-sourcing solution.</p> <p>Contract Officers stated that performance and monitoring information is not held on the e-sourcing solution either because the officers do not know how to use the system and those that do are of the opinion that the system needs further development before performance information can be uploaded in a meaningful way.</p> <p>Discussions were held with the then Strategic Procurement Manager who stated that the contractor performance monitoring module on e-sourcing system needs further development before it can be fully utilised by contract officers.</p> <p>At the time of the audit review there was no generic contractor performance template in place to consistently score contractor performance across the Council</p> <p>A supplier performance management template has now been designed.</p> <p>The implication for the Authority is that the performance of contractors is not held centrally in one location viewable by all contract officers in a consistent format.</p>	<p>The supplier performance management template is now available in Proactis for completion by contract officers. Contract officers will receive a reminder from Proactis to use the contract management module. All relevant contract officers should receive notification so they know the supplier performance management template is available and must be used.</p> <p>URN 01649</p>	Arwel Staples	30/03/2018



No.	Findings and Implications	Agreed Action	Who	When
	As such it is entirely possible that a contractor who performed poorly in one portfolio area could subsequently be used to carry out work in another portfolio area without the contract officer being aware of previous poor performance.			
4 (A)	The majority of the control weaknesses highlighted in this report are due to a lack of compliance with the Contract Procedure Rules which form part of the Constitution of the Authority.	Contract Officers to be instructed to comply with the requirements of the Contract Procedure Rules.  URN 1691	Gareth Owens	31/01/2018
5 (A)	Tests were carried out to establish how many signed contracts were in place for the sample selected; it was found that only 16.6% had a signed contract in place before work starts. The implication of not having a signed contract in place is that it will be difficult to resolve any disputes and problems that may arise with the contractor without a legally enforceable contract in place.	The Category Manager - Strategic Procurement should issue an instruction to all Procurement Officers that prior to them approving purchase orders over the value of £25,000 that they should satisfy themselves that an appropriately signed (and where applicable sealed) contract is in place and that this must be scanned onto the e-sourcing solution.  URN 1660	Arwel Staples	28/02/2018
6 (A)	It is the responsibility of each individual Contract Officer to enter all contracts over the value of £25,000 into the e-sourcing solution. Testing was carried out to ensure that this was operating in practice.  The audit sample was extracted from the financial ledger and it was noted that only 2/6 contracts were recorded on the e-sourcing solution. Amongst those not recorded were the Waste Treatment Contract with Thornccliffe (£3.3 million) and the £2,119,256.50 contract with the National Autistic Society for support of three people who have a Complex Learning Disability at No 6 Jasmine Court Mold. Both significantly high value contracts.	The Category Manager- Strategic Procurement will develop a spend analysis report/template for each service area. This will then be discussed with each service area. Each service area will be required to populate the report/template with basic contract register particulars and return the completed report/template to the Category Manager- Strategic Procurement.  URN 1648	Arwel Staples	31/05/18
7 (A)	To ensure compliance with agreed action 1648 a designated officer should monitor the progress of the completion of each specific service spend analysis/report template.	The Chief Officer – Governance will ensure the timely completion of each specific service area spend analysis report/template.	Gareth Owens	30/09/18

No.	Findings and Implications	Agreed Action	Who	When
		URN 1695		

## 4. Distribution List:

Name	Title
Gareth Owens	Accountable Officer for the Implementation of Agreed Actions
Gareth Owens	Chief Officer (Governance)
Helen Makin	Legal & Procurement Operations Manager
Arwel Staples	The Category Manager- Strategic Procurement
Lee Evans	Procurement Systems Officer & Data Analyst

## Appendix A - Audit Opinion:

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 **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
<b>Green - Substantial</b>	<p><b>Strong controls in place (all or most of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist and are applied consistently and effectively</li> <li>• Objectives achieved in a pragmatic and cost effective manner</li> <li>• Compliance with relevant regulations and procedures</li> <li>• Assets safeguarded</li> <li>• Information reliable</li> </ul> <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>
<b>Amber Green - Reasonable</b>	<p><b>Key Controls in place but some fine tuning required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact</li> <li>• Some refinement or addition of controls would enhance the control environment</li> <li>• Key objectives could be better achieved with some relatively minor adjustments</li> </ul> <p>Conclusion: key controls generally operating effectively.</p>
<b>Amber Red - Some</b>	<p><b>Significant improvement in control environment required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively</li> <li>• Evidence of (or the potential for) financial / other loss</li> <li>• Key management information exists but is unreliable</li> <li>• System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.</li> </ul> <p>Conclusion: key controls are generally inadequate or ineffective.</p>
<b>Red - Limited</b>	<p><b>Urgent system revision required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls are absent or rarely applied</li> <li>• Evidence of (or the potential for) significant financial / other losses</li> <li>• Key management information does not exist</li> <li>• System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.</li> </ul> <p>Conclusion: a lack of adequate or effective controls.</p>



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 24 <sup>th</sup> January 2018
<b>Report Subject</b>	Wales Audit Office (WAO) - Annual Audit Letter 2016/17
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The Wales Audit Office (WAO) have issued their 'Annual Audit Letter' – Appendix 1. The letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004, and reporting responsibilities under the Code of Audit Practice for the financial year 2016/17.

### RECOMMENDATIONS

1	Members note the WAO's Annual Audit Letter for 2016/17.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE ANNUAL AUDIT LETTER</b>
1.01	Attached at Appendix 1 to this report is the WAO's Annual Audit Letter.
1.02	The letter was issued by the required date of 30 <sup>th</sup> November and is published for Members information.
1.03	The letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004 and the reporting responsibilities under the Code of Audit Practice. In the main it relates to the WAO's work in auditing the Council's 2016/17 Statement of Accounts reported in detail to the Committee in September 2017.
1.04	Regarding the Council and its group accounts and audit the WAO and Council Officers held a joint Post Project Learning meeting referred to in the WAOs letter, which identified areas where both organisations could learn

	from this year's experiences, and make improvements for the future. Regular meetings to take any of the more minor issues forward and to start preparations for future challenges are planned.
1.05	Regarding the Clwyd Pension Fund accounts and audit actions are in place to prevent the recurrence of issues incurred last year referred to within the WAOs letter. A meeting is scheduled for late January 2018 to discuss key judgements within the accounts, working paper requirements and audit timescales. A temporary additional resource has been appointed to produce a Code compliant Statement of Accounts with supporting working papers.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	No resource implications as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	No specific risks as a direct result of this report requiring mitigation.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – WAO Annual Audit Letter

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

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
	<p><b>Financial Audit:</b> The annual external audit of the Council's Statement of Accounts.</p> <p><b>Financial Year:</b> the period of 12 months commencing on 1 April</p> <p><b>Material:</b> 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,</p>

regulatory, or politically sensitive.

**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.

**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.

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Please contact us in Welsh or English.

Cysylltwch â ni'n Gymraeg neu'n Saesneg.

Councillor Aaron Shotton – Leader/ Colin Everett – Chief Executive  
Flintshire County Council  
County Hall  
Mold  
Flintshire  
CH7 6NB

**Reference:** 252A2017-18

**Date issued:** 28 November 2017

Dear Aaron and Colin

## Annual Audit Letter Flintshire County Council 2016-17

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

### The Council complied with its responsibilities relating to financial reporting and use of resources

It is Flintshire County Council's (the Council) responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards.

I issued an unqualified audit opinion on the 2016/17 financial statements confirming they present a true and fair view of the Council, its Group, and Pension Fund's financial position and transactions on 29 September 2017. My report is contained within the financial statements and the key matters arising from the audit were:

- The Council's draft financial statements were prepared to a good standard and were supported by comprehensive and timely working papers, helping us to achieve the overall completion timetable.
- Progress was made in reviewing the potential liabilities arising from former waste disposal sites.
- With the advent of earlier production and publication of local government annual accounts by the end May and July respectively from 2020-21, the Council should identify opportunities for streamlining its closedown processes. The continuing role of the Accounts Governance Group should assist the Council with this challenge, helping to ensure that it is viewed as a corporate responsibility rather than something that impacts solely on the finance team.
- The Pension Fund's draft financial statements were not prepared to the standard consistently achieved in previous years. We identified a number of accounting errors and a large number of discrepancies with supporting working papers, which resulted in the financial statements being corrected. We also encountered some prolonged delays in receiving responses to audit queries. Officers advised us that the difficulties in part arose due to extenuating internal circumstances arising from staffing issues during the closedown process.

The key matters arising from the accounts audit were reported in detail to members of the Council in my Audit of Financial Statements report on the 27 September 2017.

I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2017.

We held a joint post project learning exercise with Council finance officers on 16 November 2017 and identified areas we can both learn from this year, in preparation for the earlier production of the financial statements. We will continue holding regular meetings with officers to take any issues forward and to start preparations for future challenges referred to above.

**Whilst I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, its financial outlook represents a significant challenge**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

The Council has acknowledged its significant financial challenges and anticipates an operating deficit of £1.1 million for the financial year ending the 31 March 2018. The Council has reported

that the projected operating deficit is largely due to the materialisation of known significant risks within the Streetscene and Transportation portfolio. The Council currently anticipates using its contingency reserve to offset the operating deficit, but this is not sustainable. The Council has confirmed that this is the first time it has had to use its contingency reserve to meet an unplanned deficit and this is because its ability to identify additional in year savings is restricted by the overall financial pressures it is facing.

Furthermore, the Council faces significant financial challenges in 2018-19, and is currently forecasting a minimum annual funding gap of £13.6 million, excluding increases in Council tax. To date, savings plans have not been identified to fully bridge the gap which represents a significant risk to the Council being able to meet its statutory responsibilities to set a balanced budget. The Council has informed us that it recognises that without additional support from the Welsh Government, it will not be able to produce a balanced budget. As part of the final phase of its budget setting over the next few months, the Council needs to explore all available options for bridging the funding gap and develop comprehensive and robust plans to deliver the necessary financial savings. Whilst reserves provide a temporary cushion against financial pressures, the Council has used its reserves over recent years to support revenue expenditure which cannot be considered as a sustainable long term strategy. At 31 March 2014 the Council's Revenue Reserves stood at £48 million, but had reduced to £31 million by 31 March 2017. Whilst this reduction includes the use of one-off earmarked reserves such as single status, other reserves are being used to meet financial pressures and in year overspends. The Council has acknowledged that it is at a high risk of becoming financially unsustainable as it continues to face unprecedented financial challenges in the short and medium term. We will continue to monitor progress over the coming months.

**My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems**

My ongoing work on the certification of grants claims and returns has not identified any significant issues to date in relation to the accounts or the Council's key financial systems. A more detailed report on my grant certification work will follow in the spring 2018 once this year's programme of certification work is complete.

The financial audit fee for 2016-17 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



**John Herniman**  
**Engagement Director**  
**For and on behalf of the Auditor General for Wales**

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 24 January 2018
<b>Report Subject</b>	Internal Audit Progress Report
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	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.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT</b>
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	<p>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.</p> <p>Since November 2017, only one 'Red' or 'Limited' assurance review Single Access Route to Housing (SARTH) has been issued. Details of the review are noted within Appendix C. Copies of all final reports are available for members if they wish to see them.</p>

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 4<sup>th</sup> 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 D shows the current situation. Of 692 actions entered into the system 581 have been cleared. There are 110 remaining live actions. None are overdue.</p> <p>Appendix E lists all actions with a revised due date of six months from the original due date is listed and a note on how the risk is being managed. 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 two quarters there has been an improvement in the average number of days from end of fieldwork to debrief meetings and for the few targets that did not improve they were already green.</p> <p>Whilst there has been a decline in the number of productive days and client questionnaires returned this is largely due to the annual leave taken and the timing of questionnaires having been issued.</p>
1.06	<p>A review of the effectiveness of these performance indicators is being undertaken by the Wales Chief Internal Auditors Group as a whole. Any suggested changes will be reported back to committee.</p>
1.07	<p>Appendix H provides an update on those audit reviews that are being finalised for the 2016/17 plan.</p>
1.08	<p>Appendix I shows the current position of work undertaken against the 2017/18 plan.</p>
1.09	<p>Since April :</p> <ul style="list-style-type: none"> <li>• The Strategic Audit Plan has been kept under continuous review with regular meetings taking place with the Chief Executive, Chief Officers, their Senior Management Team.</li> <li>• 12 new requests for additional work has been received and in most cases, work has been completed.</li> </ul>

	<ul style="list-style-type: none"> <li>• All high priority audits will be undertaken at this stage during 2017/18.</li> <li>• Out of the 19 high priority audits: <ul style="list-style-type: none"> <li>- 9 are either in progress or fieldwork is complete</li> <li>- 5 has been completed or at draft report stage</li> <li>- 4 are due to start quarter 4</li> </ul> </li> </ul>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a direct result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Final Reports Issued Since November 2017 Appendix B – Levels of Audit Assurance Appendix C – Red / Limited Assurance Report Issued Appendix D – Action Tracking – Portfolio Statistics Appendix E – Actions with Revised Due Date Six Months Beyond Original Due Date Appendix F – Investigation Update Appendix G – Performance Indicators Appendix H – Operational Plan 2016/17 (Carry Forward) Appendix I – Operational Plan 2017/18

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager <b>Telephone:</b> 01352 702231 <b>E-mail:</b> <a href="mailto:Lisa.brownbill@flintshire.gov.uk">Lisa.brownbill@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Wales Audit Office:</b> 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.

**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.

**Wales Chief Auditors Group:** An informal meeting group of Chief Auditors to discuss items of mutual interest.

**Operational Plan:** the annual plan of work for the Internal Audit team.



# Flintshire Internal Audit

Progress Report



January 2018

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## Final Reports Issued Since September 2017

## Appendix A

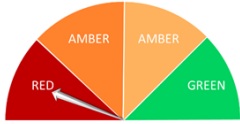
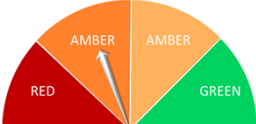
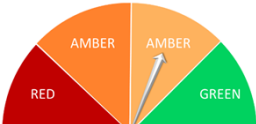
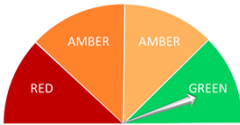
The following reports and advisory work have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received **Red** assurance a summary of the findings and the Action Plan is attached in **Appendix C**.

Project Reference	Project Description	Audit Type	Level of Assurance	Actions		
				High	Med	Low
01-2017/18	Single Access Route to Housing (SARTH)	Risk Based	Red	2	6	5
14-2017/18	Pollution Control	Risk Based	Amber Red	0	5	5
07-2016/17	Youth Justice	Risk Based	Amber Green	0	3	5
21-2016/17	Procurement	Risk Based	Amber Green	0	7	0
16-2016/17	Corporate Safeguarding	Risk Based	Amber Green	0	3	5
AC10-2017/18	ITU Complaints	Advisory & Consultancy	No opinion	-	-	-
AC 07-2017/18	Solar Farm	Advisory & Consultancy	No opinion	-	-	-
AC 09-2017/18	Estuary Crafts	Investigation	No opinion	-	-	-
AC 13-2017/18	Method Calculations for Budget Forecasts	Advisory & Consultancy	No opinion	-	-	-

## 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><b>Red – Limited</b></p> 	<p><b>Urgent system revision required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls are absent or rarely applied</li> <li>• Evidence of (or the potential for) significant financial / other losses</li> <li>• Key management information does not exist</li> <li>• System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.</li> </ul> <p>Conclusion: a lack of adequate or effective controls.</p> <p><b>Follow Up Audit</b> - &lt;30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p>
<p><b>Amber Red – Some</b></p> 	<p><b>Significant improvement in control environment required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively</li> <li>• Evidence of (or the potential for) financial / other loss</li> <li>• Key management information exists but is unreliable</li> <li>• System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.</li> </ul> <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p><b>Follow Up Audits</b> - 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p>
<p><b>Amber Green – Reasonable</b></p> 	<p><b>Key Controls in place but some fine tuning required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact</li> <li>• Some refinement or addition of controls would enhance the control environment</li> <li>• Key objectives could be better achieved with some relatively minor adjustments</li> </ul> <p>Conclusion: key controls generally operating effectively.</p> <p><b>Follow Up Audit:</b> 51-75% of actions have been implemented. All high priority actions have been implemented.</p>
<p><b>Green – Substantial</b></p> 	<p><b>Strong controls in place (all or most of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist and are applied consistently and effectively</li> <li>• Objectives achieved in a pragmatic and cost effective manner</li> <li>• Compliance with relevant regulations and procedures</li> <li>• Assets safeguarded</li> <li>• Information reliable</li> </ul> <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><b>Follow Up Audit:</b> 75%+ of actions have been implemented. All high priority actions have been implemented.</p>
<p><b>Categorisation of Actions</b></p>	<p>Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses</p>
<p><b>Value for Money</b></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>

## Limited Assurance Report – Issued since November 2017

## Appendix C

### Single Access Route to Housing (SARTH)

#### Background

An audit of Single Access Route to Housing (SARTH) was undertaken as part of the approved Internal Audit Annual Plan for 2017/18.

The Council plays a role in ensuring Social Housing is an effective housing option for individuals on low incomes, or those who are unable to rent or buy privately. The Common Housing Allocations Policy is in place and has been adopted by the major social landlords operating in Conwy, Denbighshire and Flintshire. Each council in the partnership has agreed to allocate social housing properties in their area according to the Common Housing Allocation Policy. The Council must ensure that the allocation policy is fair and procedures to support the application of the policy are comprehensive. This ensures the consistent treatment of all social housing applicants.

The Common Housing Allocation Policy review has now been completed and the final draft version is currently being reviewed by all SARTH partners. Our review considered the proposed new policy revision, along with a detailed review document and concluded the process followed to be thorough and comprehensive. Changes in legislation since the implementation of the policy in April 2015 as well as negative impacts of changes to policy were also considered as part of the exercise. It is important to note that while changes to eligibility and priority for social housing were considered, no significant changes to the policy were agreed and eligibility for SARTH remains as written in the original policy.

We have been advised that since the last review, there has been a significant increase in demand from the service and this coupled with resource challenges has resulted in the control deficiencies identified in the review. These primarily relate to insufficient controls relating to management and appropriate allocation of properties within the housing register such as the timescale to add an individual onto the housing register, management of allocation overrides and periodic reviews. The service should also investigate system developments to assist with the automation of certain processes and remove the risks associated with manual processing. This will also assist with the delivery of the services within the defined service level agreements (SLA's).

Additionally, it has been agreed that to assist with the resource challenges facing the department, a pilot will take place in which the Housing Solutions Contact Centre and the Housing Repairs contact centre will be amalgamated to create one team. Training will be provided to the new team on all housing options and eligibility for SARTH which will reduce the levels of duplication where the Housing Register Coordinator has to make contact with applicants again to request further information. Further work is underway to enable integration of the triage information direct into the housing system to assist with the release of the housing register coordinator to facilitate application reviews rather than data entry. This will create efficiencies in the ways of working and streamline the current process.

It is important to note that some of the issues identified in the review were identified in previous reviews and had not been fully rectified. However since the fieldwork has been completed, the service has been very receptive to mitigating the risks identified through the review. The high risk action relating to the application category date has been promptly agreed and implemented. Evidence of this has been provided to internal audit for review and it has been deemed adequate.

### Overall Conclusion:

Whilst the review confirmed that the process followed for the common Housing Allocations Policy review was thorough and comprehensive, taking into consideration any negative impacts of changes to policy and banding guidance was available and evidenced to substantiate applicants banding had been correctly allocated, there were inadequate or ineffective controls in place within the service which has resulted in a 'red' / limited assurance opinion being given. The impact of this assurance opinion requires urgent service revision to address the issues.

Following the audit, good progress has been made to address the audit findings by the Chief Officer (Community & Enterprise) and key officers and 7 out of the 13 actions have now been implemented. This includes both high priority actions identified. Work undertaken to date includes:

- An exception report is now run weekly to assist with the identification of inconsistencies between the application date and the category allocation date.
- A monthly override report is produced for all applicants who have been bypassed for a property. Checks are undertaken to ensure the reason for the override is adequate and the override code utilised is correct and evidenced.
- The procedure for appeals has now been included in the policy and details the timescales for dealing with and resolving appeals. Additionally to this the Housing Register is recording all appeals and outcomes to ensure that appeals are dealt with in timescales given and also to enable improvements to the process through monitoring of lessons learnt.
- All offers are supported by a written letter and scanned on to application system.
- Quality Assurance sampling methodology has been agreed and implemented – 50% of allocations per New Customer Housing team. Any concerns found are raised immediately with the relevant officer and on-going review at monthly staff 1:1's to monitor. Quality assurance to be included in Housing Services performance suite as a KPI.
- New Customer Team members' system profile has been changed to prevent them from making any changes to an application which could impact an individual's position on the housing allocation list.
- All relevant staff have now been issued with the Anti-Fraud and Corruption Policy along with the Fraud Response Plan.

The Chief Officer, Community & Enterprise, will provide a full verbal update to Audit Committee and it has been agreed that as part of the Strategic Audit Plan for 2018/19 a follow up review will be undertaken of SARTH.

### Single Access Route to Housing (SARTH) : Action Plan

No.	Findings and Implications	Agreed Action	Who	When	Current Status
1 (R)	Errors have been identified relating to the application date and category allocation date within the Capita system. This poses a risk that the applicant's position within the short-list is not accurate.	An exception report to be run weekly to assist with the identification of inconsistencies between the application date and the category allocation date. Review the possibility of electronic transferring application data from CRM to Housing V0.12. In the event this will not be possible, a quality assurance process will be introduced to ensure adherence to documented policy and processes.  URN 01980	Connects Manager	Implemented in August 2017	Implemented
2 (R)	There is not enough evidence to support the allocation overrides on the capita system. Although each allocation agent is required to apply an override code, the sample reviewed identified incorrect override codes were being utilised and insufficient documentation was available to support the override. This poses a risk that in the event of an inquiry from the ombudsman, the Council is unable to support its reasons why an applicant has been overridden for a property.  Additionally, there is no formal review of housing allocation overrides by management to identify overall volumes, process improvements or training requirements.	An override report to be run monthly on all applicants who have been bypassed for a property and a sample check to be conducted to ensure the reason for the override is adequate and the override code utilised is correct and evidenced. Any issues identified through review to be fed-back and application errors rectified.  URN 01975	Housing Manager	30/12/2017	Implemented
3 (A)	The appeal procedure does not detail the time frames set out for dealing and resolving appeals. Additionally, there is no	A revision of the appeal procedure is scheduled to be conducted in line with the Housing Allocations policy review and will include a	Connects Manager	30/12/2017	Implemented

No.	Findings and Implications	Agreed Action	Who	When	Current Status
	reporting on the volume, reasons and outcomes of appeals to identify process improvements or training opportunities.	process to be followed by applicant to appeal, service level agreements to deal with the appeal, and reporting to be introduced to identify volumes of appeals, outcomes and trends.  URN 01993			
4 (A)	Band 1 applications are not always being pre-checked as required by the SARTH procedures. Completion of the verification form and landlord references are a key control to demonstrating the highest priority banding has been correctly assigned.	Pre-tenancy assessment and landlord references to be completed for all Band 1 applications as required by SARTH and evidence retained within the Capita system for audit purposes. A procedure to be defined to advise what action should be taken in the event of non-receipt of landlord references.  URN 01992	Housing Manager	29/06/2018	Live Action
5 (A)	Allocation offer letters are not always available to support the offer of properties to applicants. This poses a risk that individuals may contest their application being cancelled due to two unreasonable refusals.	Allocation offer letters will be retained within the housing system Capita for audit trail purposes.  URN 01997	Housing Manager	29/06/2018	Implemented
6 (A)	Periodic reviews of applicants' details and personal circumstances are not being conducted in line with agreed timescales. This poses a risk that applicant information and circumstances are not up to date to reflect their priority on the housing allocation list and to comply with the Data Protection act 1998. The Connects Manager has advised they are currently behind on their periodic reviews as they have had some resource challenges and seen an increase in the demand for the service. As such, she has prioritised activities to be completed by the team based on impact to	Management information will also be developed to understand the value added with current process such as return rates, percentage of applicants who had changes in circumstances, etc. As there are various points of interaction with applicants throughout the allocation lifecycle, it would be beneficial to develop additional codes which would reflect which customer we have spoken with and updated details. This would allow for the focus of the periodic reviews to be for those customers with whom we have not had any contact with.  Additionally the service will explore whether an	Connects Manager	30/03/2018	Live Action



No.	Findings and Implications	Agreed Action	Who	When	Current Status
	applicant and risk to service.	automatic suspension and cancellation of the application due to non-contact with the applicant is feasible. This would remove the administration of the process being completed by the Housing Register Coordinator.  URN 02002			
7 (A)	Management oversight of the housing allocations process is not adequate. A quality assurance process has been recently introduced but the methodology for the review has not been defined and agreed.	A risk based quality assurance process will be devised and documented to include: <ul style="list-style-type: none"> <li>• sampling methodology</li> <li>• number of reviews to be completed per new housing allocations officer</li> <li>• timescales for review and feedback</li> <li>• reporting on issues identified/trend analysis</li> </ul> URN 01976	Housing Manager	29/12/2017	Implemented
8 (A)	Both the Housing Solutions Team, who assign a band to the housing applicant, as well as the new customer team members have the facility to make changes to an application which could impact an individual's position on the housing allocation list. This poses a risk that data may be intentionally manipulated to expedite certain individuals within the housing allocation list. This issue was raised in the last review.	Management to consider best approach to ensure separation of duties. Potential use of RSL portal for new housing allocation team.  URN 02003	Business Systems Support Officer	30/12/2017	Implemented
9 (G)	Staff are unaware of the Anti-Fraud and Corruption Policy as well as the Fraud Response plan. This poses a risk that in the event of fraud, they are unaware of what action should be taken.	Anti-Fraud and Corruption Policy as well as the Fraud Response Plan to be covered with staff during team meetings. Minutes of meeting and attendance records to be retained as evidence.  URN 01957	Connects Manager	29/12/2017	Implemented
10 (G)	Timescales for the cancellation of applications due to non-receipt of evidence	Controls relating to SLA adherence require enhancement. Investigate system developments	Connects Manager	29/06/2018	Live Action

No.	Findings and Implications	Agreed Action	Who	When	Current Status
	are not always adhered to. Testing identified a number of occasions where the 28 day SLA's had not been adhered to.	through the utilisation of new system codes to assist with the automation of cancellations due to non-receipt of evidence. KPIs to be set to measure adherence to process.  URN 01995			
11 (G)	There is currently no definition of the terms 'Unreasonable Refusal' or 'Withdrawn' to assist Housing officers with the consistent application of the process. This poses a risk that there is a lack of consistency on how individuals on the housing list are treated.	Guidance to be drafted to assist Housing Officers in the application of 'Unreasonable Refusal' and 'Withdrawn' when allocating a property.  URN 01996	Connects Manager	29/06/2018	Live Action
12 (G)	A procedure is currently not in place to assist the Housing Officers with the allocation of Direct Lets properties.	A procedure to be drafted to provide guidance on the allocation of Direct Lets properties. Evidence to be retained in Housing V.12 for audit purposes.  URN 02005	Housing Manager	29/06/2018	Live Action
13 (G)	A user can have an unlimited number of attempts to log into the RSL portal without the account being locked. There is also a requirement for password changes every 30 days. Both these issues are not in line with the National Cyber Security Centre Password Guidance.	The following changes will be implemented in order to adopt the government recommended password policy: 1. Implement complex passwords for all open housing users; 2. Implement complex passwords for the RSL portal; 3. Change open Housing password renewal from 30 days to never; and 4. Amend RSL portal password attempt policy from 'unlimited'.  URN 01959	IT Business Partner	30/11/2018	Live Action

## Action Tracking – Portfolio Performance Statistics

## Appendix D

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Portfolio	January 2018 Stats				Live Actions - As at January 2018			Actions beyond Original due date	
	Number of Actions Raised Since January 2016	Actions Implemented since 04.01.2016 (including Actions No Longer Valid)	% of Actions Cleared To Date	Number of Audits Since January 2016	Live Actions	Actions Beyond Due Date (excludes Actions with a revised due date)	Actions with a Revised Due Date	Actions between 6 & 12 months	Actions Greater than 12 Months (13+)
Corporate	33	28	84%	15	5	0	3	0	0
Community & Enterprise	76	66		11	10	0	3	1	0
Education & Youth	54	38		18	16	0	3	0	0
Governance	78	60		20	15	0	8	2	6
Organisational Change 1	20	19		4	1	0	0	0	0
Organisational Change 2	35	33		7	2	0	2	1	1
People & Resources	114	107		32	8	0	5	1	0
Planning & Environment	28	16		6	12	0	12	3	6
Social Services	85	71		14	14	0	4	1	0
Streetscene & Transportation	75	67		10	9	0	6	1	0
External	22	17		7	4	0	1	0	0
Individual Schools	72	59		22	13	0	11	0	0
<b>Total</b>	<b>692</b>	<b>581</b>			<b>166</b>	<b>110</b>	<b>0</b>	<b>58</b>	<b>10</b>

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	How Risk is Being Managed
Community & Enterprise	1616	Housing Allocations 15/16 : Procedures	Medium (Amber)	31/03/2017	30/06/2018	Policy review was completed and agreed by SARTH Regional Steering Group in September 2017. Final draft of policy document is now with partners to agree prior to publication. The SARTH Regional Operational Group have now commenced work on revision of the procedures and this work is aimed to be completed in June 2018.	Working practices have been amended and restrictions placed on the OT system to limit risks and case file reviews are carried out.
Governance	174	CPRs : Declaration of Interests	Medium (Amber)	31/03/2016	31/03/2018	Progress with developing an electronic register has been slowed by capacity within IT development services. Chief Officers are already under an obligation to maintain a register for declarations of interest. The Deputy Monitoring Officer has prepared a process and guidance so that the process can be reinforced and made consistent. Training will be provide via DMTs over the next 3 months	Any declarations are to be reported to line management until IT solution is finalised.

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Governance	271	Main Accounting - AP & P2P: There is a high amount of retrospective ordering on the P2P system which is contrary to FPR.	High (Red)	30/09/2016	31/01/2018	Implementation of the deferred No PO No Pay Policy is part of a wider strategic programme of improvement which now includes the additional projects such the Accelerated Payment Facility business case development. The business case development is in progress and the actions to improve upfront Purchase Order compliance has been discussed with an action plan developed. It's anticipated that the action plan will be implemented over the next 3 months.	A number of CPR training workshops to officers have been held over the last 6 months to highlight the need for creating upfront Purchase Orders. The Corporate Procurement Team is still engaging with individual service areas on an ongoing basis to increase upfront Purchase Order compliance and further meetings / workshops have been arranged with service areas to support them to comply with the need for upfront P2P purchase orders.
Governance	284	Main Accounting - AP & P2P 15/16: Not enough expenditure codes are under category managers.	Low (Green)	29/02/2016	28/02/2018	All P2P Purchase Orders over £25,000 for all categories of spend will be routed to a named individual category manager for review and approval prior to budget holder approval.  The Category Managers will review the PO's to ensure the following: <ul style="list-style-type: none"> <li>• Signed contracts are in place</li> <li>• OJEU and CPR compliance</li> <li>• Adherence to corporate purchasing agreements</li> </ul>	The Category Business Partners have been engaging with their respective service area officers to promote the need for Contract Procedure Rules compliance. Additionally a new Commissioning form has been developed, which requires Corporate Procurement Service sign off and feedback before any market competition can be undertaken by the service area for all projects above £25k.

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						<p>The service areas will need to take into consideration the additional P2P approval process that will be put in place and ensure they allow sufficient time and planning for PO's to be approved and sent out to suppliers.</p> <p>A discussion has been held also with Financial Systems team who will be tasked to configure the classification codes changes within the PROACTIS Purchase to Pay System. The spreadsheet file of all configuration changes will be handed to Financial Systems Team before end of January 2018 and a revised date of end of February 2018 for then changes to be incorporated by Financial Systems Team onto the system.</p>	
Governance	1406	Data Protection - 15/16: Subject access requests are not identified correctly by Staff who may receive them. If they are not properly	Medium (Amber)	31/03/2017	30/03/2018	This forms part of the wider Information System which is being developed. We have started with FOI as there are higher risks in this area.	The revised ICO Subject Access Code of Practice has been reviewed and re-iterated to members of the Data Protection Team.

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		identified then they may not be processed correctly or in accordance with the guidelines.					
Governance	1414	Data Protection - 15/16: SAR are not processed in accordance with the guidelines.	Medium (Amber)	31/03/2017	30/03/2018	The Information System forms part of a wider project. The project has started with FOI as there are higher risk issues in this area.	This was also discussed at the GDPR Project Board, whilst we are waiting on the new system we have a spreadsheet to record the requests and we have issued further communication to staff on how to recognise as SAR and what to do with it.
Governance	1516	PCIDSS: The Council may fail to meet the PCI DSS if the self-assessment questionnaire is not completed.	High (Red)	31/12/2016	31/08/2018	PCIDSS Accredited External Assessors have been appointed to conduct an initial review of systems and architecture leading to the identification of processes which are likely to already meet the requirements of PCIDSS and those processes where there is scope to improve. The external assessment is due to take place on-site from 2/10/17 to 04/10/17. Following the review the SAQ will be completed and based on the findings of the external risk	A PCIDSS review was undertaken by a specialist QSA provider, ECSC, on 4th October 2017. The review has identified areas of compliance and areas of risk. Overall, the Council is deemed to be 50% compliance with PCIDSS  The findings of the report are now being considered by the Project Group and Chief Officer to identify what measures are required to increase compliance but this will undoubtedly require substantial investments in IT to achieve 100% compliance

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						assessment.	
Governance	1523	PCIDSS: Staff do not have the most recent or up to date information available to them.	Low (Green)	31/12/2016	31/03/2018	<p>Work is ongoing to update and re-issue guidance and procedures for the workforce responsible for taking payments. This guidance will be issued by 31st March 2018.</p> <p>The findings of the external PCIDSS audit are currently still being considered and two payment channels are already fully PCIDSS compliant (web payments and ATP payments - automated telephone payments). Relevant SAQ'S are being drafted for these payment channels.</p> <p>New technologies and investments are being assessed to establish whether full compliance can be realistically achieved within budget provision through the development of a mid call solution. Alternatively, through service planning and a strategic move away from telephone payments and channel shift towards to web payments or ATP payments, we need to determine whether</p>	In the meantime guidance will be updated and re-circulated to the workforce responsible for taking payments.



Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						residual risks would warrant the major investments to achieve full compliance.	
Governance	1572	PCIDSS: Non-compliance with PCI DSS or DP Act.	High (Red)	31/12/2016	31/03/2018	PCIDSS Accredited External Assessors have been appointed to conduct an initial review of systems and architecture leading to the identification of processes which are likely to already meet the requirements of PCIDSS and those processes where there is scope to improve. The external assessment is due to take place on-site from 2/10/17 to 04/10/17. Following the review the SAQ will be completed and based on the findings of the external risk assessment.	A PCIDSS review was undertaken by a specialist QSA provider, ECSC, on 4th October 2017. The review has identified areas of compliance and areas of risk. Overall, the Council is deemed to be 50% compliance with PCIDSS  The findings of the report are now being considered by the Project Group and Chief Officer to identify what measures are required to increase compliance but this will undoubtedly require substantial investments in IT to achieve 100% compliance
Organisational Change 2	333	CCTV – Draft CCTV Policy	Medium (Amber)	30/07/2016	28/02/2018	Work regarding policy still in progress and being revised to reflect wider system uses throughout the Council. Trade Union colleagues have suggested that there needs to be clarification around CCTV system used in FCC vehicles.	A separate document which does not deal exclusively with public realm CCTV systems is being developed to clarify the position with vehicle based system which are in the main deployed on our waste collection vehicles. In reality these systems are used as enhanced health and safety

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
							features in such vehicles.
Organisational Change 2	1606	Community Asset Transfers 2016/17: The CAT process does not document risk pertaining to fraud.	Low (Green)	30/06/2017	31/01/2018	Reviewing with Finance how this may best be incorporated within the CAT document to reflect the action.	As part of the CAT process we do undertake a review of the groups business plans and these are independently assessed by FLVC as part of the review process. As these are community organisations who in the main are already occupying these facilities the risk is considered low. In addition the asset isn't transferred as a freehold interest but remains with the Council the asset being leased back to the community organisation on a 27 year lease. In addition to this an annual review of community benefit derived from the use of the asset by the group is also undertaken and through these discussions further assessment of their financial position is considered.
People & Resources	1925	Compulsory and Voluntary Redundancies 2016/17: The Workforce Consultation and Voluntary Redundancy Databases are not	Medium (Amber)	31/07/2016	31/03/2018	<ul style="list-style-type: none"> <li>• Instruction issued to all database users to ensure that fields are populated. HRBPs instructed by way of email on 19/05/2017 to comply with the following, pending an alternative DB being agreed/implemented:</li> </ul>	HRBA team ensure all relevant fields are completed fully. Discussions ongoing with IT colleagues about finding an alternative solution prior to switch off of Lotus Notes.

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		fit for purpose.				<ul style="list-style-type: none"> <li>• For compulsory redundancies, Chief Officer approval should always be obtained and evidenced on the Workforce Consultation Database or equivalent.</li> <li>• For all future compulsory redundancies the relevant database should be appropriately completed to demonstrate that all appropriate actions have taken place to explore all other options prior to gaining consent to release via compulsory redundancy.</li> <li>• A copy of ICM notes should be placed on the individuals file (EDM).</li> </ul> <p>5. For all future voluntary redundancies the relevant database should be appropriately completed with detailed rationales being given prior to forwarding to the VR panel for consideration (including date of VR panel and sign off from chair of panel).</p> <ul style="list-style-type: none"> <li>• Break-even spreadsheets to be completed in all cases</li> </ul>	

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						(finance to ensure that figures are accurate, include up to date on-costs and that costs associated with any additional posts required to facilitate release are incorporated).	
Planning & Environment	285	Section 106 - 15/16 : Update of LPGN 22	Medium (Amber)	31/07/2016	30/06/2018	<p>LPG 22, as overarching guidance, can only be updated once all individual LPGs have been updated, and there is still work to be done to update LPG13 (see below).</p> <p>As each individual LPG is up to date (except LPG 13) each can be applied to the consideration of planning applications and any developer obligations that arise.</p> <p>The risk in not updating LPG 22 is therefore very low and can be managed in due course once individual LPGs are updated. This must therefore be a 'green' in terms of risk status.</p>	The, risk of non-implementation of this audit recommendation is mitigated by the existence of the LPGN's which sit below LPGN 22, each of which operate in their own right.
Planning & Environment	311	Section 106 : Strategic decision around the adoption of open	Medium (Amber)	31/03/2017	31/03/2018	Previous officer with experience of LPG 13 will return to work 15/01/2018after long term sickness, and will work on the	New officer assigned to the work. Review of work done to date and evidence provided or outstanding underway.

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		space provision				update of LPG 13 as a priority.	
Planning & Environment	313	Section 106 - 15/16 : Play equipment specification	Medium (Amber)	31/07/2016	31/03/2018	Specification is still awaited from Leisure and will be included as part of updating LPG 13 (see below). Revised due date set was unrealistic and unachievable given circumstances reported below for LPG 13 update.	Update following S106 Working Group Mtg 20.9.17: This will be picked up as part of the update of LPGN 13, and the wider review of the adoption of open spaces.  Initially this will be progressed through discussion between Andy Farrow, Andy Roberts, Ian Bancroft and Alan Roberts.  Due to the timescales involved in the adoption of an updated LPGN the due date has been revised to 31.12.17.
Planning & Environment	314	Section 106 : Use of Management Companies for maintenance of public open spaces	Low (Green)	31/07/2016	31/03/2018	Will be considered as part of updating LPG 13 (see below). Revised due date set was unrealistic and unachievable given circumstances reported below for LPG 13 update.  Given the extent to which we can't prevent developers proposing a management company this is a low risk.	We can't refuse developers who want to use management companies for the maintenance of public open spaces. The updated LPGN will include options to make these management companies more 'secure' for residents and more 'palatable' for members considering the planning applications, but will not seek to prevent the use of Management Companies. In advance of the implementation of the new planning guidance the risk will continue to be managed through existing process.

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Planning & Environment	315	Section 106 - 15/16 : Open Space requirements, trigger points / staging of payments	Low (Green)	31/07/2016	31/03/2018	Will be considered as part of updating LPG 13 (see below). Revised due date set was unrealistic and unachievable given circumstances reported below for LPG 13 update.	This was a green finding so the risk is considered to be low, and will continue to be managed through existing process.
Planning & Environment	320	Section 106 : Monitoring reports	Low (Green)	30/06/2016	30/06/2018	Now part of wider review of Development Management back office system and potential procurement of IDOX system to replace current Civica system. Capital bid submitted December 2017 and if successful procurement in Spring 2018.	The in house monitoring system (S106 spreadsheet) is still maintained pending further consideration by the cross portfolio working group around process and flow of information.
Planning & Environment	1435	Section 106: Update of LPGN 13	Medium (Amber)	30/06/2016	08/05/2018	Due to unforeseen circumstances the working group have not been able to meet since September to progress the longer term strategic approach which had been informally mapped out in the September 20th 2017 meeting.	LPGN 13 remains in place, whilst it is acknowledged that some update is required, and work is ongoing to address this, the existence of the current Planning Guidance ensures that risks are managed in the meantime.
Planning & Environment	1580	Greenfield Valley: Credit Card Payments	Low (Green)	31/03/2017	31/03/2018	The revised due date has been included to allow the service time to put a final policy document in place following	The Interim Policy referred to below is still in place. The intention is that the interim policy will be revised once the

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						the update above.	new Trustees have been appointed and the Board is complete (appointments of 4 x new Trustees expected by the end of Nov 17). It is anticipated that the Trustees will need a period of time before they commence review of all policies and procedures, as such the due date has been changed to 31.3.18.
Planning & Environment	1887	Planning Enforcement 2016-17 - Evidence produced for Wales Government is not retained.	Low (Green)	31/07/2017	04/05/2018	<p>In July the Planning Officer society have announced, working with Welsh Government that they are revising the enforcement performance indicators. Council's had until 6/9/17 to comment and we now await further instruction regarding the revised indicators. The draft indicators try to pursue where positive action has been taken rather than when things are resolved to try and reflect the protracted period time which may result from a prosecution.</p> <p>The trained super-users at Flintshire are currently preparing reports to extract the necessary data in readiness for new demands. However, these</p>	In the interim officers are focused on the correct input of data, closing cases down in a timely manner and using the newly created status drop-down to provide a status position on the cases which would help performance reporting and case management.

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						reports are often damaged when Flare upgrade the software and have to be rebuilt. Planning software systems absorb such indicators requirements as part of the process as does Flare in England but as we are the only Welsh authority using Flare they will not prioritise supporting us.	
Social Services	1608	Flying Start Childcare Placements 2015/16: Childcare settings are not procured in accordance with the Council's Contractual Procedure Rule	Medium (Amber)	30/06/2017	30/03/2018	A joint procurement exercise will be undertaken with Denbighshire FS. This process has begun. However, the advice from procurement is that it cannot be undertaken until late Dec - early March.	With this in mind we will continue to work with current providers (as has been the case for past 10 years) and undertake the Procurement exercise ready for April 2018, in line with FS Grant. The Grant indicative figure should be known about Feb 2018.
Streetscene & Transportation	1739	HNA 16/17: Network reclassifications	Medium (Amber)	24/05/2017	31/03/2018	CIPFA have made a decision not to implement the HNA Code of Practice, as such this Action is not required to ensure the accuracy of the HNA valuation, however a decision has been made that this recommendation will be implemented as a point of good practice.	The due date has been revised as we are no longer working to a financial deadline, and there is no longer scope to divert resources to ensure compliance with the Code of Practice.



## Investigation Update

## Appendix F

Ref	Date Referred	Investigation Details
<b>1. New Referrals</b>		
1.1	20/12/2017	Monies were reported as missing from a café run by the Learning Disabilities Service, the matter was reported to the Police who decided not to investigate. An internal investigation is ongoing.

<b>2. Reported to Previous Committees and still being Investigated</b>		
2.1	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.
2.2	11/05/2017	An anonymous whistleblow was received concerning procurement practices in one of the Portfolios. The investigation work is ongoing.
2.3	18/05/2016	A referral was received concerning the use of monies on a grant funded scheme. The internal investigation has been concluded and a report has been issued. This is now the subject of an ongoing Police investigation.
2.4	30/10/2017	A referral has been received concerning potential misuse of a grant scheme by a former member of staff. The issue is under investigation within the department.

<b>3. Investigation has been Completed</b>		
3.1	05/07/2017	A referral was received alleging that a member of staff had used a Council contractor for private work. The implication being it could be a conflict of interest. In accordance with the disciplinary process a full investigation has been undertaken and concluded.
3.2	17/08/2017	A referral was received alleging unfair treatment and irregularity in the awarding of transport contracts. The investigation has been completed and there was no evidence found to support the allegation.
3.3	13/09/2017	A complaint was received concerning practices followed for the award of transport contracts, a full investigation was carried out and allegations made in the complaint were unfounded, feedback has been provided to the complainant.
3.4	14/09/2017	Monies were reported as missing which belonged to both service users and staff. The matter has been reported to the Police and a review has been carried out of control issues relating to the incident. A report has been issued to the service to enhance controls in the service.

Internal Audit Performance Indicators

Appendix G

Performance Measure	Qtr 1 17/18	Qtr 2 17/18	Qtr 3 17/18	Qtr 4 17/18 (as at 11/1)	Target	RAG Rating	
Audits completed within planned time	71%	60%	88%	88%	80%	G	↓
Average number of days from end of fieldwork to debrief meeting	17	15	11	12	20	G	↓
Average number of days from debrief meeting to the issue of draft report	5	14	2	2	5*	G	→
Days for departments to return draft reports	10	11	7	5	7*	G	↑
Average number of days from response to issue of final report	1	2	2	3	2	A	↓
Total days from end of fieldwork to issue of final report	39	34	27	29	34	G	↓
Productive audit days	79%	74%	82%	73%	75%	A	↓
Client questionnaires responses as satisfied	100%	100%	100%	100%	95%	G	→
Return of Client Satisfaction Questionnaires	66%	75%	75%	50%	80%	R	↓

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

**\* Changes to Performance Indicators**

Following a review of the Internal Audit PI's at the end of the financial year, two target PI's have been changed to accurately reflect the time taken to complete key aspects of the audit process. There are:

**PI : Average number of days from debrief meeting to the issue of draft report.**

This target has been increased from 3 working days to 5 working days. This is to take into account the part time working arrangements in place within the Internal Audit Service

**PI : Days for departments to return draft reports**

This target has been increased from 3 working days to 7 working days. This increase in target is more a reflection of the detailed work undertaken and greater stakeholder involvement and should not be seen negatively.

## Internal Audit Operational Plan 2016/17 (Carry forward Audits) Appendix H

This appendix only provides an update on those reviews finalised, those reviews currently in progress and any changes made to the plan since the last Audit Committee meeting in November 2017.

Audit	Audit Type	IA Priority Rating	Original Plan Days	Revised Plan Days	Actual Days	Status
<b>Corporate</b>						
Safeguarding (including schools)	Risk Based	A	20	20	18	Final
<b>Education and Youth</b>						
Youth Justice	System Based	A	15	15	15	Final
<b>Governance</b>						
Procurement	Risk Based	A	30	30	50	Final
<b>Organisational Change 2</b>						
Corporate Asset Strategy	Risk Based	A	15	15	22	Final

Internal Audit Operational Plan 2017/18

Appendix I

Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
<b>Corporate</b>				
Income from Fees and Charges / Efficiency Savings	H		4	
Use of Consultants	Advice & Consultancy	Final	3	
Corporate Safeguarding	Advice & Consultancy	Ongoing	Ongoing	New to Plan – IAM a member of the Corporate Safeguarding Board
Corporate Governance	Annual	Ongoing	Ongoing	Member of the Corporate Governance Working Group
<b>Community &amp; Enterprise</b>				
Single Access Route to Housing (SARTH)	H	Final	1	
Strategic Housing and Regeneration Project (SHARP)	H	In Progress	2	
Welsh Housing Quality Standard	H	In Progress	2	
Housing Rent Arrears	M	In Progress	3	
Transient Travellers	M		4	
Disabled Facilities Grant	C/F 16-17	Draft Report Issued	2	Carried forward into 17/18 as the request of the Service
Council Tax & NNDR	Annual	In progress	3	CRSA Issued
Housing Benefit	Annual	In progress	3	CRSA Issued
<b>Education &amp; Youth</b>				
School Closure (John Summers High Schools)	H	Final	1	
IT Procurement in schools	M	In Progress	2	
School Uniform Grants		Final	2	New to plan – to validate the grant application process.
Education Grants: Professional Development Grant (PDG)	Annual	Final	2	
Education Grants: Including Education Improvement Grant (EIG)	Annual	Final	2	
Control and Risk Self-Assessment	Annual	In Progress	3	
Risk based thematic reviews across all schools including central controls	Annual		3/4	

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Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
<b>Governance</b>				
Joint Central Procurement Arrangement (Joint Review)	H	In Progress	2	This review will include aggregated spend
Procurement - Aggregated Spend (Joint Review)	H	In Progress	2	Combined within the above review
Procurement - Contract Monitoring (Joint Review)	H		4	
Community Benefits	M		4	Defer until 2018/19
Legal Case Management	M		4	
Information Security Policies	Advice & Consultancy	In Progress	Ongoing	New to Plan - request for IA involvement
Digitisation / Digital Strategy	Advice & Consultancy	On going	Ongoing	
Data Protection	Annual & C/F 16-17	In Progress	2	To include work carried forward from 16/17. Additional work will be required in 17/18 due to new General Data Protection Rules (GDPR)
<b>Organisational Change 1</b>				
Post Transfer - Leisure, Libraries & Museum Services	H	In Progress	3/4	2017/18 review will focus on the strategic risks of the business.
ADM - Facility Services, Leisure & Libraries, Work Opportunities	Advice & Consultancy	Final	1	Work on Aura and NEWydd complete.
Clwyd Theatre Cymru (CTC)	M		3	
Libraries	M		4	Defer until next year given the SLA with Aura is 20 days
Future ADM : Bailey Hill, Museums & Archives and any emerging ADMs	Advice & Consultancy		Ongoing	
<b>Organisational Change 2</b>				
Community Asset Transfer - Holywell Swimming Pool	H	In Progress	3	Mid November start
Post ADM Transfer - Facilities Services	H		4	
County Hall Campus	M	In Progress	3	
CCTV	M		3	
Community Asset Transfer - Contract Management - Connah's Quay Swimming Pool	M		4	
Property Maintenance	M		4	Defer until 2018/19
Background checks	Advice & Consultancy	Final	2	New to Plan
Community Asset Transfer - New	Advice & Consultancy		Ongoing	

Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
<b>People &amp; Resources</b>				
Working Time Regulations	H	Draft Report	1	
IR35 Compliance	H	On hold	3	January start
Appraisals	M		4	Defer until 2018/19
Appraisals – Data integrity	New		4	New to Plan
Occupational Health Unit	New		4	Defer until 2018/19 (qtr 1)
Payroll	Annual		4	
E-Teach (Supply Staff) – Payroll and Recruitment	Advice & Consultancy	Ongoing	Ongoing	
Method Statements Supporting MTFS	Advice & Consultancy	Final	2	New to Plan – to review method statement calculations
Method statements supporting stages 2 & 3 of Budget Pressures	Advice & Consultancy	Final	3	New to Plan – to review method statement supporting stages 2 & 3 of the budget pressures
Treasury Management	M	In Progress	4	
Main Accounting – Accounts Payable (AP) / P2P	Annual	In Progress	3	CRSA Issued
Main Accounting – Accounts Receivable (AR)	Annual	In Progress	3	CRSA Issued
Main Accounting – General Ledger (GL)	Annual	In Progress	3/4	
Collaborative Planning (CP)	Advice & Consultancy	Ongoing	Ongoing	
Masterpiece Migration & ADM Financial Solution Project	Advice & Consultancy	Ongoing	Ongoing	
Finance Modernisation Programme – AR	Advice & Consultancy	Ongoing	Ongoing	
Accounts Governance Group	Advice & Consultancy	Ongoing	Ongoing	
<b>Planning &amp; Environment</b>				
Greenfield Valley Heritage Park	H		4	Following recruitment for new Trustees
Pollution Control	H	Final	2	
Pest Control	M		4	
Section 106 Agreements – Follow Up	M		4	
Planning Enforcement – Follow Up	M		4	
Greenfield Valley Heritage Park – Fishing Ban	Advice & Consultancy	Final	3	New to Plan
Section 106 Agreements	Advice & Consultancy	Ongoing	Ongoing	
<b>Social Services</b>				

Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
Social Services Financial Processes (Including Provider Payments)	Commissioned Work	Final	1	
Commissioning and Contracts	H	In Progress	1	
Safeguarding - Adults at Risk	H		4	
Substance Misuse	M	Draft	2	
Deferred Payments on Properties	M		4	
<b>Streetscene &amp; Transportation</b>				
Bereavement Services	H	Final	2	
Integrated Transport Unit (ITU)	H	In Progress	3	
Community Transport	M		3	
Highways - Cost Recovery	M		3	
Regional Transport	M		4	
Security of HRC Sites	Advice & Consultancy	Final	2	New to Plan
Streetlighting Security	Advice & Consultancy	Final	2	New to Plan
Solar Farm	Advice & Consultancy	Final	2	New to Plan
ITU Procurement	Advice & Consultancy	Final	2	New to Plan
Fleet Management	C/F 16-17		4	At the request of the service department this review has been carried forward into 17/18
Accounting for Highways Assets Infrastructure	Advice & Consultancy	Ongoing	Ongoing	
ITU Project Working Group	Advice & Consultancy	Ongoing	Ongoing	
<b>External</b>				
Pensions Administration	Annual	-	4	
North West Residual Waste Partnership	Advice & Consultancy	Ongoing	Ongoing	
<b>Investigations, Provisions and Developments</b>				
Investigations	Investigation	Ongoing	Ongoing	Eight investigations – Appendix F
Proactive Fraud	Training	Final	2	<ul style="list-style-type: none"> <li>Whistleblowing Training to Social Services</li> <li>Review of Counter Fraud Policies</li> </ul>
Audit Development : Control Risk Self-Assessment	Development	Final	Ongoing	
Audit Development : Computer Assisted Audit Tools Techniques Software (CAATTs)	Development	In Progress	Ongoing	
Audit Development : Root Cause Analysis	Development	In progress	Ongoing	

**Glossary**

<b>Risk Based Audits</b>	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.
<b>Annual (System Based) Audits</b>	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.
<b>Advice &amp; Consultancy</b>	Participation in various projects and developments in order to ensure that controls are in place.
<b>VFM (Value For Money)</b>	Audits examining the efficiency, effectiveness and economy of the area under review.
<b>Follow Up</b>	Audits to follow up actions from previous reviews.
<b>New to Plan</b>	Audits added to the plan at the request of management. <b>All new audits to the plan are highlighted in red.</b>
<b>Audits to be Deferred</b>	Medium priority audits deferred in substitute for new higher priority reviews / advice. <b>These audits are highlighted in green within the plan.</b>

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 24 January 2018
<b>Report Subject</b>	Action Tracking
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	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.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE ACTION TRACKING REPORT</b>
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.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

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<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Action owners contacted to provide an update on their actions.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None as a result of this report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Action Points.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager <b>Telephone:</b> 01352 702231 <b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	None.

**AUDIT COMMITTEE - ACTION SHEET**Presented Wednesday, 24<sup>th</sup> January 201815<sup>th</sup> March 2017

15 <sup>th</sup> March 2017				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
56	IA Progress Report	To provide an update to audit committee once the police investigation has reached a conclusion	Lisa Brownbill	An update will be provided to audit committee once the police investigation has reached a conclusion
59	IA Strategic Plan	To include in the IA Progress report details of any uncompleted high priority audits during the year	Lisa Brownbill	The IA Progress report will include this information where applicable

12<sup>th</sup> June 2017

12 <sup>th</sup> June 2017				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
5	Asset Disposal & Capital Receipts Generated	To review the criteria for the disposal of general properties to maximise capital receipts	Neal Cockerton	The process for capital receipts has been changed in that land disposals come to the Capital and Asset Programme Board for review and challenge before disposal takes place. We are currently reviewing the Capital and Asset Management Strategy and so will make reference to this process in the redrafting of this document.

**19<sup>th</sup> July 2017**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
20	Treasury Management Annual report 2016/17 and Update Q1 2017/18 (C)	That additional in-house training be organised for Committee prior to the Treasury Management training session	Liz Thomas	All Member Treasury Management training held 4 <sup>th</sup> December 2017, with further training to be arranged for January which specifically focuses on changes being suggested for the 2018/19 Treasury Management Strategy
20	Treasury Management Annual report 2016/17 and Update Q1 2017/18	To arrange Treasury Management training for all Members for early January 2018	Liz Thomas	All Member Treasury Management training held on 4 <sup>th</sup> December 2017, with further training to be arranged for January which specifically focuses on changes being suggested for the 2018/19 Treasury Management Strategy

**22<sup>nd</sup> November 2017**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
32	Minutes of 27 September 2017 (Item No 29)	To follow up Councillor Dolphin's comments questioning the decision to close Holywell Youth Club, once recruitment issues were resolved.	Colin Everett	A verbal update has been provided to Councillor Dolphin regarding Carmel Youth Club, which is located within the Holywell Area.

22<sup>nd</sup> November 2017

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
34	Use of Consultancy	That the £25K threshold for Chief Executive approval of consultants is reviewed on an annual basis.	Colin Everett / Gareth Owens	This will be reviewed on an annual basis.
34	Use of Consultancy	That future annual reports include whether the list of consultants used for the period were local or national.	Colin Everett / Jo Pierce	This will be included as part of the annual report to committee in November 2018.
36	Joint Protocol between Internal Audit and WAO	Assurance mapping to give assurance of working arrangements between departments and other bodies.	Lisa Brownbill	This will be picked up as part of the assurance mapping exercise to be undertaken.
39	Forward Work Programme	That the Committee would prefer to continue to meet at 10am on Wednesday s, noting that Councillor Dunbobbin's comments about the flexibility of meetings to accommodate Members' commitments to be included in the report back to the Constitution & Democratic Services Committee.	Sharon Thomas	Audit Committees comments were passed to Democratic Services on 24 November 2017 and will be included in the report to Constitution & Democratic Services Committee on 31 January 2018.

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 24 January 2018
<b>Report Subject</b>	Forward Work Programme
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	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 draft 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

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the 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.
3	That the Committee is asked to express a preference for its meeting pattern.

### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE FORWARD WORK PROGRAMME</b>
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.
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"> <li>1. Will the review contribute to the Council's priorities and/or objectives?</li> <li>2. Is it an area of major change or risk?</li> <li>3. Are there issues of concern in governance, risk management or internal control?</li> <li>4. Is it relevant to the financial statements or financial affairs of the Council?</li> <li>5. Is there new Government guidance on legislation?</li> <li>6. Is it prompted by the work carried out by Regulators/Internal Audit?</li> </ol>
<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.
<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Publication of this report constitutes consultation.
<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None as a result of this report.
<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A - Draft Forward Work Programme
<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill Internal Audit Manager</p> <p><b>Telephone:</b> 01352 702231</p> <p><b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a></p>
<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
	<b>WAO, Wales Audit Office</b> 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><b><u>PSIAS, Public Sector Internal Audit Requirements</u></b> 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 2017/18**Presented to Committee - Wednesday, 24<sup>th</sup> January 2018

Meeting Date	Agenda Item	Author
24 <sup>th</sup> January 2018	Treasury Management 2017/18 Q3 Update and 2018/19 Strategy	Liz Thomas
	Proposed Changes to Statutory Deadlines for Publication of Local Authority Statement of Accounts	Liz Thomas
	Risk Management update	Karen Armstrong
	Corporate Governance Report	Karen Armstrong
	Contract Management	Gareth Owens
	Annual Audit Letter	Gary Ferguson / Liz Thomas
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill

Meeting Date	Agenda Item	Author
<b>21<sup>st</sup> March 2018</b>	Audit Plan (WAO) Annual Improvement Report (WAO) Treasury Management 2017/18 Q4 Update Preparation and Close Down of Accounts 2017/18 School Reserves – Annual Report on School Balances Contract Procedural Rules update Certification of Grants and Returns Report (WAO) (was Jan) Internal Audit Progress Report 2017/18 Internal Audit Strategic Plan 2018/2021 PSIAS Compliance (Internal) Audit Committee Self-Assessment Audit Committee Action Tracking Forward Work Programme Private Meeting (WAO and Internal Audit)	WAO Karen Armstrong Liz Thomas Liz Thomas Clare Homard / Lucy Morris Gareth Owens Gary Ferguson Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
<b>June 2018</b>	Risk Management Update	Karen Armstrong

Meeting Date	Agenda Item	Author
	Annual Report on External Inspections	Karen Armstrong
	Draft Annual Governance Statement	Karen Armstrong
	Asset Disposals and Capital Receipts	Neal Cockerton
	Internal Audit Annual Report	Lisa Brownbill
	Internal Audit Progress Report	Lisa Brownbill
	Follow Up Report Planning Enforcement	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>July 2018</b>	Treasury Management 2018/19 Q1 Update and Annual Report 2017/18	Liz Thomas
	Supplementary Financial Information to Draft Statement of Accounts 2017/18	Liz Thomas
<b>September 2018</b>	Statement of Accounts 2017/18	Gary Ferguson
	Corporate Governance Report	Karen Armstrong
	Annual Improvement Report	Karen Armstrong
	Internal Audit Progress Report	Lisa Brownbill

Meeting Date	Agenda Item	Author
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>November 2018</b>	Treasury Management 2017/18 – Mid Year Report	Liz Thomas
	Use of Consultancy Report	Colin Everett
	Financial Procedure Rule	Sara Dulson
	Joint Protocol between External and Internal Audit	Lisa Brownbill
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill