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To: Cllr Chris Dolphin (Chairman)

Councillors: Janet Axworthy, Geoff Collett, Andy Dunbobbin, Patrick Heesom,
Paul Johnson and Arnold Woolley

Co-opted Members:

Sally Ellis and Allan Rainford

21 January 2020

Dear Sir/Madam

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 29th January, 2020 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 3 - 12)

Purpose: To confirm as a correct record the minutes of the meeting on 20 November 2019.

4 TREASURY MANAGEMENT STRATEGY 2020/21 AND TREASURY MANAGEMENT QUARTER 3 UPDATE 2019/20 (Pages 13 - 56)

Report of Corporate Finance Manager -

Purpose: To recommend to Cabinet and Council the 2020/21 Treasury Management Strategy, 2019/20-2021/22 Treasury Management Policy, Practices and Schedules. Quarterly update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2019/20.

5 **WALES AUDIT OFFICE (WAO) - ANNUAL AUDIT LETTER 2018/19** (Pages 57 - 64)

Report of Corporate Finance Manager -

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 2018/19.

6 **CODE OF CORPORATE GOVERNANCE** (Pages 65 - 94)

Report of Chief Executive -

Purpose: To endorse the review of the Code of Corporate Governance.

7 **FINANCIAL PROCEDURE RULES** (Pages 95 - 218)

Report of Corporate Finance Manager - Cabinet Member for Finance

Purpose: To provide Audit Committee with updated Financial Procedure Rules for recommendation to County Council.

8 **INTERNAL AUDIT PROGRESS REPORT** (Pages 219 - 272)

Report of Internal Audit Manager -

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

9 **ACTION TRACKING** (Pages 273 - 276)

Report of Internal Audit Manager -

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

10 **FORWARD WORK PROGRAMME** (Pages 277 - 284)

Report of Internal Audit Manager -

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

Yours faithfully



Robert Robins
Democratic Services Manager

AUDIT COMMITTEE **20 NOVEMBER 2019**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 20 November 2019

PRESENT: Councillor Chris Dolphin (Chairman)

Councillors: Janet Axworthy, Geoff Collett, Patrick Heesom, Paul Johnson and Arnold Woolley

Co-opted members: Sally Ellis and Allan Rainford

SUBSTITUTE: Councillor: Joe Johnson (for Andy Dunbobbin)

ALSO PRESENT: Councillors: Ian Roberts, Leader of the Council and Cabinet Member for Education; and Billy Mullin, Cabinet Member for Corporate Management and Assets were present as observers

IN ATTENDANCE:

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

Matthew Edwards and Gwilym Bury of the Wales Audit Office

Chief Officer (Education & Youth) and Finance Manager - minute numbers 38-39

Chief Officer (Housing and Assets) - minute number 40

Finance Manager (Technical Accountancy) - minute number 41

Strategic Performance Advisor - minute number 43

35. SUBSTITUTION

In accordance with Constitutional requirements, the Committee agreed to allow Councillor Joe Johnson (who had undertaken the requisite training) to substitute for Councillor Andy Dunbobbin.

RESOLVED:

That Councillor Joe Johnson be permitted as a substitute for the meeting.

36. DECLARATIONS OF INTEREST

Councillor Woolley declared a personal interest as the initiator of some of the items in the Internal Audit Progress Report (agenda item 12).

37. MINUTES

The minutes of the meeting held on 11 September 2019 were received.

Matters Arising

Minute number 24: Councillor Heesom asked about the current position on the outstanding debt owed to the Council by the Local Health Board. Officers reported that there had been a slight improvement and that discussions were ongoing. An update would be provided outside the meeting.

Minute number 26: Councillor Heesom was advised to speak to officers separately to refer Alltami Stores follow-up progress to the Environment Overview & Scrutiny Committee. The Chief Executive said that all actions to address long-term issues have been raised with the respective Chief Officers.

RESOLVED:

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

38. SCHOOL RESERVE BALANCES YEAR ENDING 31 MARCH 2019

The Chief Officer (Education & Youth) presented the annual report on reserves held by Flintshire schools and the risks and internal processes associated with schools in deficit.

As at 31 March 2019 there was a 4.7% increase in the overall level of reserves since the previous year, with the 13.1% increase in the net deficit of reserves held by secondary schools offset by a 7.2% increase in primary school reserves. Whilst the position on primary school budgets was mainly positive, secondary school budgets remained under considerable pressures, some of which would be alleviated through the impact of projected demographic changes on the redistribution of funding. On schools with surplus balances, a review was being undertaken of schools with consistently high balances.

The Finance Manager explained that the revised 'Protocol for Schools in Financial Difficulty' - which had recently been issued to schools - provided a more rigorous process for holding schools to account on their financial management and would provide appropriate support for those heading towards a deficit position.

Councillor Heesom sought assurance that the position was being managed. The Chief Executive said that school reserve balances had already been identified by the Council as an area of concern and reinforced by the recent Estyn recommendation. The revised process would show greater transparency and provide constructive challenge to schools where necessary. It was noted that, having been through this process, some secondary schools may still be unable to achieve further efficiencies without compromising delivery of the new curriculum and that special budget intervention may need to be considered.

During discussion, the Finance Manager agreed to circulate the revised protocol to the Committee. The Chairman highlighted the importance of schools sharing the document with their governing bodies to which the Chief Executive responded that officers would formally request that schools place the item on their agendas in the next cycle.

Following a question by Allan Rainford, the Finance Manager confirmed that there were no concerns about the small number of schools which had not yet taken up the option of the enhanced level of service. This extra support was not needed by schools with appointed business managers however schools in a deficit position were obligated to sign up. Information was given on the requirement for schools with surplus balances to submit spending plans. In relation to the Estyn report, there was no defined length of time that schools could carry a deficit balance, however Estyn had been satisfied with the Council's response and had recognised the ongoing financial challenges. It was noted that the position on deficit school reserve balances was not unique to Flintshire.

When asked by Sally Ellis about modelling work on the changes in demographics, the Chief Executive spoke about wider corporate planning projections to inform investment in school building programmes and housing developments. The Finance Manager said that three year projections for primary school numbers to reduce by 495 would result in a 2.5% decrease in their budgets and that secondary numbers rising by 444 would increase their budgets by 3.2%. The Chief Officer said that the demographic changes may be one of a number of reasons for some schools maintaining surplus balances.

In response to comments from Councillor Johnson on school funds, the officers provided a brief update on progress with the action plan discussed in September.

RESOLVED:

That the school reserves balances as at 31 March 2019 be noted.

39. OUTCOME OF ESTYN INSPECTION

The Chief Executive introduced a report on the outcome of the recent Estyn inspection of education services in Flintshire to provide assurance to the Committee.

The Chief Officer (Education & Youth) said that this was a positive report providing assurance of the quality of services and identifying significant areas of strength in educational provision. The four recommendations for improvement, which had already been identified through the Council's self-assessment process, were being progressed through an action plan verified by Estyn. This would be subject to monitoring through quarterly performance reports to the Education & Youth Overview & Scrutiny Committee.

Councillor Heesom highlighted the recommendation to reduce exclusions and increase attendance in primary and secondary schools. The Chief Officer said that this was a challenge not just in Flintshire due to a number of reasons including increased external pressures facing young people. Officers were working closely with Head Teachers and making better use of the Youth Justice Service to engage with schools to target appropriate support to young people at risk of exclusion.

The Chief Executive described this as the most challenging of the recommendations due to the external factors. He spoke about complex and sensitive work underway to encourage more consistent and holistic practice within schools and governing bodies.

Sally Ellis congratulated the Chief Officer and her team on the positive outcomes from the Estyn report.

The Chairman thanked the two officers for their attendance.

RESOLVED:

That the Committee receives and acknowledges the findings of the Estyn report on education services in Flintshire.

40. ASSET DISPOSALS AND CAPITAL RECEIPTS GENERATED 2018/19

The Chief Officer (Housing & Assets) presented the annual report summarising land disposals and realisation of capital receipts during 2018/19. Capital receipts were aligned to contribute towards the Council's programme of capital schemes, consisting of both large and small scale across all portfolios. A reminder was given of the revenue implications from capital expenditure and the continued reduction in Welsh Government (WG) support for capital expenditure.

In response to a questions from Allan Rainford, the Chief Officer clarified the process for disposing of surplus assets including the opportunity to bring them back into use through Community Asset Transfers. He said that all portfolios were engaged with the process and assets were reviewed on a regular basis.

The Chief Officer (Governance) said that the most recent review of the process, which had helped to strengthen arrangements, had received favourable assurance by Internal Audit.

Councillor Heesom spoke about the need for transparency and Member involvement on capital receipts. He also suggested that the Capital Programme could enable portfolio expenditure to be modified to release pressure on the Revenue Budget. The Chief Officer (Housing & Assets) referred to use of capital resources on projects such as the extension of Marleyfield and the overall impact on maintenance costs. The valuation process involved the District Valuer or private sector organisations for specialist local advice, in accordance with the principles, with outcomes reported to the Capital Assets Programme Board.

In response to the Chairman's comments about historic arrangements, officers said that the Capital Assets Programme Board, which was not a decision-making body, was effective in regularly reviewing asset disposals to support the Capital Programme. Disposals above the required threshold were reported to Cabinet.

When asked by Sally Ellis about capital receipts generated from agricultural estates, the Chief Officer said that the process was more complex involving a longer lead-in period. He described the proactive approach to engage with tenants to understand their future plans noting that whilst some who were under the old Agricultural Act tenancies had succession rights, the current model was to use Farm Business Tenancies. On termination of tenancies, vacant farms were placed on the open market and were effectively marketed for sale through specialist agricultural agencies.

The Chairman said that recommendations in reports should be more meaningful. This was acknowledged by the Chief Executive who said that officers should consider more proactive resolutions as demonstrated in reports to Overview & Scrutiny committees.

RESOLVED:

That the report be noted.

41. TREASURY MANAGEMENT MID-YEAR REVIEW 2019/20 AND QUARTER 2 UPDATE

The Finance Manager (Technical Accountancy) presented the draft Treasury Management mid-year report for 2019/20 to recommend to Cabinet. An update on Quarter 2 activities was also shared for information along with a reminder of the forthcoming Treasury Management training session.

In a summary of the key points, two new long-term loans had been taken out to fund the Capital Programme at a time when interest rates offered financial value. In Quarter 2, an unforeseen increase in Public Works Loans Board (PWLB) borrowing rates had limited impact on the revenue budget but took away opportunities to take advantage of fixed lower rates as the Council had done previously. In response to these changes, balanced consideration would need to be given to long-term financing options at lower rates from the market with increased charges and lead-in times.

Sally Ellis asked about planning to respond to any further increase in borrowing rates from PWLB. The Finance Manager said that the increase impacted the cost and viability of national priorities across the whole of Wales and that officers were working with the Treasury Management advisors to assess borrowing from the private sector.

The Chief Executive spoke about the impact of external factors on the Council's Medium Term Financial Strategy and the need to work through aspects of private sector borrowing with advice from Wales Audit Office colleagues.

Following comments by Councillor Johnson on readiness for Brexit, the Finance Manager said that in the absence of clarity, the main concerns were ensuring liquidity in the event of any disruption to financial systems which reflected the Council's cautious approach. The Chief Executive spoke about planning contingencies on a national level.

Whilst praising the report, Allan Rainford referred to the reduction in capital spend in 2018/19. The Finance Manager said that continual forecasting would take account of any slippage between years to inform borrowing decisions. On another question, she confirmed that the debt maturity profile was monitored in accordance with the Treasury Management indicators.

RESOLVED:

That the Committee notes the draft Treasury Management Mid-Year Report 2019/20 and confirms that there are no matters to be drawn to the attention of Cabinet on 17 December 2019.

42. SUBMISSION OF CERTIFIED GRANTS AND RETURNS 2018/19

The Corporate Finance Manager presented a report on progress for the submission of grant claims requiring grant certification from Wales Audit Office (WAO) for the year ended 31 March 2019. The report also detailed progress on actions arising from the 2017/18 certification process and outlined changes to the Grant External Audit Process from 2019/20.

All 11 grant claims for 2018/19 had been submitted to WAO by the deadline with the audit findings due to be reported to the Committee in March 2020. Following a national change to auditing arrangements for Local Authority grant schemes, appropriate internal arrangements were being discussed with Internal Audit to include in the Audit Plan for 2020/21 noting the safeguards already in place on the completion of checklists. The new arrangements would also be informed by the findings from the 2018/19 grant certification process.

Matthew Edwards of WAO said that the response to the recommendations was assuring. The forthcoming changes to Welsh Government certification requirements from 2019/20 onwards would result in a significant reduction in workload by WAO which would be reflected in the grant certification audit fee. Whilst audit work was underway on 2018/19 grant claims, positive progress was reported on the first recommendation from the action plan from 2017/18.

In response to a question from Allan Rainford, Matthew Edwards provided clarification on the grant assessment issue previously identified. He noted that this was a complex part of the assessment process and was an issue in other councils. WAO officers were currently assessing the implications of those arrangements and would report back to the Committee in March.

RESOLVED:

- (a) That progress of the Grant Claim Certification process for 2018/19 be noted;
- (b) That progress on actions arising from the 2017/18 report be noted; and

- (c) That the changes made to the Grant External Audit Process from 2019/20 be noted.

43. RISK MANAGEMENT UPDATE

The Chief Executive presented a report which summarised the position on strategic risks in the 2019/20 Council Plan and provided an update on work in progress to re-establish the approach to risk management.

Positive feedback had been received from the Corporate Resources Overview & Scrutiny Committee which had an overarching view of risks across the Council, with individual risks reported quarterly to the respective Overview & Scrutiny committees. The report reflected positive movement in the reduction of major (red) risks on which the Chief Executive gave a brief summary. Good progress was being made on the development of a robust risk management framework due to be shared at the next meeting.

Sally Ellis questioned whether risks were being sufficiently reported through Overview & Scrutiny. The Internal Audit Manager said that work on areas of risk for each of those committees was nearing completion with the potential for a standing agenda item. The findings from the Audit Committee Chair and Vice-Chair Network Group (attended by the Internal Audit Manager and Sally Ellis) would also inform this work.

Allan Rainford asked about the process for determining strategic risks. The Chief Executive spoke about the escalation of risks at Informal Cabinet and meetings with Chief Officers. The Strategic Performance Advisor referred to good engagement with service areas through performance lead officers in each portfolio.

On being put to the vote, the Committee supported the recommendations. Councillor Heesom asked that his abstention be recorded.

RESOLVED:

- (a) That the status of the initial overview of strategic risks of the 2019/20 priorities of the Council be noted; and
- (b) That the commitment to present the risk management framework and guidance at January's Audit Committee be noted.

44. CONTRACT MANAGEMENT

The Chief Officer (Governance) presented a report on an Internal Audit review of contract management following an initial audit of procurement reported in 2018. The report identified the need for each service to achieve minimum requirements for effective contract management and for Chief Officers to develop action plans by the end of December to meet those standards within their portfolios.

As this was a long-standing issue, Sally Ellis proposed that the Committee receive an update on action plans in March or June 2020. This was seconded by Councillor Heesom.

In response, the Chief Officer said that a phased approach was being taken due to the complexities involved and that the Internal Audit team followed up actions on audit findings. Progress against action plans would be monitored, recognising that some actions may require more time to complete.

Sally Ellis spoke about the potential for inconsistencies on core competency areas and the need for the Committee to receive assurance on progress. The Internal Audit Manager explained that follow-up work timescales could only be determined once the actions plans had been completed. She suggested that a follow-up audit be included in the 2020/21 Audit Plan to be brought back to the Committee as a formal report. Sally Ellis indicated that she was satisfied with this course of action.

Councillor Woolley asked about the percentage of contracts above the threshold which had not been recorded. The Internal Audit Manager said that the number could not be substantiated in the audit and required further analysis.

Councillor Johnson welcomed the delivery of community benefits and social values and asked where this was reported. The Internal Audit Manager said that the effectiveness of social values in contracts would be included as part of the audit next year. The Chief Officer (Governance) said that an indication of the number of contracts with those clauses was shown in performance reports on the Procurement Service.

RESOLVED:

That the Internal Audit service monitor the delivery of portfolio action plans (through the routine action tracking) to improve contract management and undertake a follow-up during 2020/21.

45. USE OF CONSULTANTS

The Chief Executive presented the report on the processes in place to ensure effective management and control of consultancy expenditure in 2018/19. The report was presented annually to the Committee in response to historic issues mainly arising from coding errors. Since 2016, the reports demonstrated the effectiveness of new processes and controls which had been introduced to monitor consultancy spend and achieve value for money.

In response to a question from Allan Rainford, the Chief Executive provided clarification on the separation of posts such as agency workers, consultants and interim appointments recorded on the system.

Whilst acknowledging the supplementary information on consultancy spend accompanying the Statement of Accounts, Sally Ellis proposed that the Committee no longer receive the annual report on use of consultants due to the effective

processes now in place. Councillor Woolley spoke in support and acknowledged the significant improvements which had been made.

RESOLVED:

That the Committee is assured that expenditure on consultants is being controlled and the Council is achieving value for money, therefore the Committee no longer requires an annual update report.

46. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update on progress of the Internal Audit department. She provided a brief overview of the three amber/red (some assurance) reports issued since the last meeting.

Attention was drawn to the significant number of actions outstanding, some of which may be due to Chief Officers failing to provide an update. Due to the size of the overall report, the Committee was asked to consider whether to restrict the information to high or high/medium priority outstanding actions and to limit the actions that were six months overdue, many of which involved ongoing actions with mitigating circumstances.

As requested, the Committee's concerns about delayed implementation of actions had been discussed with the two Chief Officers both of whom had provided commentary in the report.

Councillor Heesom highlighted the importance of the content of the report which he felt should have been prioritised on the agenda. As Chairman of the Environment Overview & Scrutiny Committee, he said that the Alltami Stores report had not been raised.

The Internal Audit Manager also provided an update on resources in her team which had prompted a review of work in the Audit Plan to prioritise key areas of risk. In response to a question from Councillor Woolley, she said that the shortfall in resources would be addressed through offering existing part-time team members the opportunity to extend their hours, with the option of engaging agency workers if required. The Chief Officer (Governance) said that team resources were regularly reviewed and that if necessary, agency staff would supplement the proposed arrangement.

In recognition of the work needed to produce the information in the report, Sally Ellis proposed that the section on overdue actions focus on high-risk red and amber issues and that the amber/red report on Highways Cost Recovery be referred to the Environment Overview & Scrutiny Committee for monitoring.

Councillor Woolley spoke in support of retaining the same level of detail on actions overdue by six months from the original date. The Chief Officer suggested that the report focus on any areas where valid reasons had not been provided to seek a view from the Committee. This was supported.

RESOLVED:

- (a) That the report be accepted;
- (b) That future progress reports be condensed to include details of overdue actions on only high and medium priority actions and any areas where valid reasons had not been provided for actions older than six months and overdue; and
- (c) That the amber/red reports on Alltami Stores and Highways Cost Recovery be referred to the Environment Overview & Scrutiny Committee.

47. ACTION TRACKING

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

The recommendation in the report was moved by Councillor Woolley and seconded by Councillor Collett.

RESOLVED:

That the report be accepted.

48. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the current Forward Work Programme for consideration, including a summary of the changes.

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.

49. 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 12.35pm

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Chairman



AUDIT COMMITTEE

Date of Meeting	Wednesday, 29 th January 2020
Report Subject	Treasury Management Strategy 2020/21 and Treasury Management Quarter 3 Update 2019/20
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the draft Treasury Management Strategy 2020/21 for review and seeks the Committee's recommendation to Cabinet.

The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2019/20:

- 3rd quarter update 1st October – 31st December 2019, presented for the Committee's information.

This report is supplemented by training provided to all Members of the Council on Treasury Management on 11th December 2019.

RECOMMENDATIONS

1	Members review the draft Treasury Management Strategy 2020/21 and identify any matters to be drawn to the attention of Cabinet on 18 th February 2019.
2	Members review the Treasury Management 2019/20 quarterly update.

REPORT DETAILS

1.00	EXPLAINING THE CHANGES TO THE POLICY STATEMENT, STRATEGY AND PRACTICES
	<u>BACKGROUND</u>
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>In April 2019 the Council adopted the Chartered Institute of Public Finance and Accountancy's <i>Treasury Management in the Public Services: Code of Practice 2017 Edition</i> (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.</p> <p>The CIPFA Code of Practice (2017 edition) requires:-</p> <ul style="list-style-type: none"> • 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. • 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. • 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. • 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>. • 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.

1.03	The Welsh Government issue guidance on Local Authority investments that requires the Council to prepare an investment strategy before the start of each financial year. The guidance was updated in November 2019 which comes into force from 1 st April 2020.
1.04	In preparation for approving the 2020/21 Treasury Management Strategy training for all Members was held on 11 th December 2019. 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, borrowing and changes made to the Investment Guidance issued by Welsh Government.
	<u>CONSIDERATIONS</u>
	2020/21 Treasury Management Policy Statement, Strategy and Practices
1.05	The Treasury Management Policy Statement was approved by Council in February 2019 and covers the 3 year period from 2019/20 to 2021/22. 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.
1.06	<p>Similarly the Treasury Management Practices (TMPs) and accompanying schedules to cover the 3 year period from 2019/20 to 2021/22 were approved by Council in February 2019 and it was agreed that these operational documents will only be reported to Members during their 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"> • TMP 1 Treasury risk management • TMP 2 Performance measurement • TMP 3 Decision-making and analysis • TMP 4 Approved instruments, methods and techniques • TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements • TMP 6 Reporting requirements and management information arrangements • TMP 7 Budgeting, accounting and audit arrangements • TMP 8 Cash and cash flow management • TMP 9 Money laundering • TMP 10 Staff training and qualifications • TMP 11 Use of external service providers • TMP 12 Corporate governance

	Some minor changes have been made to bring the practices and schedules in line with the draft 2020/21 strategy.
	Treasury Management Strategy 2020/21
1.07	<p>The 2020/21 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 (2017 edition) and the revised 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>
1.08	<p>The main body of the 2020/21 Strategy has not changed significantly from that of the 2019/20 Strategy. Matters that merit the attention of Members are summarised below:-</p> <ul style="list-style-type: none"> • Section 2 – Economic context, provided by Arlingclose, the Council’s Treasury Management advisor, highlights that the major external influence on the strategy continues to be negotiating the UK’s exit from the European Union and agreeing future trading arrangements, as it was in 2019/20. The Bank of England have made no recent changes to monetary policy with interest rates held at 0.75%. At its November 2019 meeting the Monetary Policy Committee indicated that it would be prepared to cut rates should Brexit uncertainty drag on or global growth fail to recover. The downward revisions to some of the growth projections in their report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal. Arlingclose forecasts that interest rates will be held at 0.75% throughout 2020/21 and into 2022. A very modest rise in gilt yields is forecast from their current low levels based on Arlingclose’s interest rate projections (the Council’s borrowing costs are linked to gilt yields). • Section 4 – Local context. This section summarises the anticipated treasury position in 2020/21. Activity in 2020/21, as it has in previous years, 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. • Section 5 – Investment Strategy for Treasury Management investments. This section is largely a continuation of the Council’s 2019/20 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.

	<ul style="list-style-type: none"> Section 6 - Borrowing Strategy. Again, this section is largely a continuation of the 2019/20 strategy. The Council continues to forecast a significant long term borrowing requirement. The required amounts need 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.
	<p>Changes to Welsh Government Investment Guidance</p>
1.09	<p>The previous guidance issued by Welsh Government was last updated in 2010 and its focus was on investments in financial institutions. It required local authorities to set out clearly their policies for the prudent management of 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 was distinct from these prudential objectives, however, provided that proper levels of security and liquidity were achieved, it may (but only then) be reasonable to seek the highest yield consistent with those priorities.</p> <p>The guidance stipulated that the following details should be included in the investment strategy:</p> <ul style="list-style-type: none"> Specified Investments Non-specified Investments Credit Risk Assessment Investment Consultants Investment Training Investment of money borrowed in advance of need
1.10	<p>In the revised guidance Welsh Government includes the details in 1.09 above and has widened the definition of an investment to bring non-financial yield bearing investments into scope. Reflecting that changes in the economic and regulatory landscape have led local authorities to consider different and more innovative types of investment activity.</p> <p>Welsh Government's aims are to ensure local authorities demonstrate good governance, accountability, transparency and openness of all types of investment decisions, whilst considering stewardship of public funds and levels of debt and aggregate risk is proportionate.</p>
1.11	<p>There are now four categories of investments:</p> <ul style="list-style-type: none"> Specified investments Non-specified investments Loans to third parties, joint ventures, or wholly-owned companies or associates Non-financial investments – investing in non-financial assets primarily or partially for the purpose of generating a surplus including investment property.

	<p>The revised guidance stipulates that the following details should be included for Loans and Non-financial investments :</p> <ul style="list-style-type: none"> • Description of types included within each investment category • Contribution made towards service delivery objectives and / or promote wellbeing • Arrangements for ensuring the security of the investment • Arrangements for ensuring the liquidity of the investment <p>Other requirements include:</p> <ul style="list-style-type: none"> • Information on proportionality – if the local authority is dependent on the profit generating investment activity to achieve a balanced budget. • Information on borrowing in advance of need – if the local authority is undertaking the activity purely to profit from the investment. • Information on Capacity, Skills and Culture – relates to Members, and Officers. • Disclosure of the extent investment decisions consider long-term and climate risk to support a low carbon economy.
1.12	<p>In the main, the additional requirements introduced, all relate to non-Treasury Management investments. (Treasury Management investments are temporary surplus cash arising as a result of timing differences in receiving and spending cash.)</p> <p>For simplicity and following advice from Arlingclose, the approach has been to include the Council’s response to the additional requirements in an Appendix to the main Treasury Management Strategy – Appendix B – Non-Treasury Management Investments.</p>
1.13	<p>All assets have been reviewed and the material types of non-treasury investment that the Council has are ‘Loans to wholly owned subsidiaries’ and ‘Investment Properties’. Information has been included in Appendix B to the Treasury Management Strategy at Appendix 1 of this report.</p> <p>Loans to wholly owned subsidiaries are the loans to North East Wales Homes (NEW Homes) Limited for the development and purchase of homes for affordable rent. The Council when approving the loans to NEW Homes had already considered all of the requirements that have been included by Welsh Government in its revised guidance.</p> <p>The Council has made a critical judgement in its accounts to classify its agricultural estate and its industrial units as investment properties. Proper accounting practice defines an investment property as those that are used solely to earn rent and / or for capital appreciation. These assets are legacy assets, and the Council has made an informed decision to reduce its agricultural estate and review the use of its industrial units.</p>

	<p>The spirit of the revised guidance is to focus on a more active portfolio of investment assets with a higher risk profile than the investment properties the Council owns. Due to the length of time that has passed since these assets have been acquired, which pre date Flintshire Council, it has not been possible to include all of the required information, such as including current fair value comparison with purchase price.</p>
1.14	<p>The majority of the additional requirements set out by Welsh Government have been complied with. Further work will be undertaken in year to review other investments that the Council is considering that possibly need to be included in the non-treasury investments section of the strategy, and compliance with disclosures around skills, culture and climate change.</p>
	<p>Treasury Management 2019/20 Quarter 3 Update</p>
1.15	<p><u>Investments update</u></p> <p>A schedule setting out the Council's investments at 31st December 2019 is attached at appendix 2. The investment balance at this time was £17.5m across 7 counterparties with an average interest rate of 0.71%.</p>
1.16	<p><u>Borrowing update</u></p> <p>Appendix 3 shows the Council's long term borrowing portfolio as at 31st December 2019, a total of £289.5m with a weighted average interest rate of 4.58%. No further long term borrowing has been undertaken during the third quarter of 2019.</p> <p>Appendix 4 shows the Council's short-term borrowing portfolio as at 31st December 2019, a total of £32.0m with an average interest rate of 0.77%.</p> <p>The borrowing strategy in 2019/20 has been to monitor capital expenditure to confirm the Council's long term borrowing need, ensuring that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. This is balanced against not compromising the long term stability of the debt portfolio by securing low long term interest rates currently available. The amounts of short term borrowing undertaken throughout the year to date have confirmed the borrowing requirement.</p> <p>The Council has taken two new long-term loans from the Public Works Loans Board (PWLB) during 2019/20 to date:</p> <ul style="list-style-type: none"> • £10m Equal instalment of Principle Loan at 1.65% for 15 years, and; • £7.5m Equal instalment of Principle Loan at 1.28% for 18 years. <p>The Council has a forecast borrowing requirement over and above the additional long term borrowing already undertaken during the year and therefore further long term borrowing may possibly be undertaken before the end of this financial year. Short term borrowing continues to be used to assist with managing the position, and is available at lower rates than long term. This position will be reviewed and monitored closely during the last few months of 2019/20 with support from Arlingclose.</p>

2.00	RESOURCE IMPLICATIONS
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.
3.00	RISK MANAGEMENT
3.01	Risk Management directly addressed within the appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.
4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	Arlingclose Ltd, being the Council's Treasury Management advisors.
5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Draft Treasury Management Strategy 2020/21 2. Investment Portfolio as at 31 December 2019 3. Long-term Borrowing Portfolio as at 31 December 2019 4. Short-term Borrowing Portfolio as at 31 December 2019
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None
7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Liz Thomas – Strategic Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk</p>
8.00	GLOSSARY OF TERMS
8.01	<p>Authorised Limit: A statutory limit that sets the maximum level of external debt for the Council.</p> <p>Balances and Reserves: 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>

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

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

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

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

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

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

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

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

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

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

Counterparty List: List of approved financial institutions with which the Council can place investments.

Debt Management Office (DMO): The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into

a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

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

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

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

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

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

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

IFRS: International Financial Reporting Standards.

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

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

Monetary Policy Committee (MPC): 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 3rd 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.



FLINTSHIRE COUNTY COUNCIL

**DRAFT
TREASURY MANAGEMENT
STRATEGY**

2020/21

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Treasury Management Strategy Report 2020/21

The Council is recommended to:

- approve the Treasury Management Strategy for 2020/21
- approve the Treasury Management Indicators for 2020/21

1.0 Introduction

In April 2019 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 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) issues guidance on local authority investments that requires the Council to approve an investment strategy before the start of each financial year. Welsh Government updated this guidance in November 2019 and it will come into force on 1st April 2020.

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 the 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. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

2.0 Economic Context (including Interest Rate Forecast – as provided by Arlingclose Ltd, (December 2019)).

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.

UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

Credit outlook: Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ring-fenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast: The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater

clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

Table 1: Interest rate forecast

	Bank Rate	3 month Money Market Rate	12 month Money Market Rate	20 year Gilt rate	50 year Gilt rate
Q1 2020	0.75	0.75	0.85	1.20	1.20
Q2 2020	0.75	0.75	0.85	1.20	1.20
Q3 2020	0.75	0.75	0.85	1.25	1.25
Q4 2020	0.75	0.75	0.85	1.25	1.25
Q1 2021	0.75	0.75	0.85	1.25	1.25
Q2 2021	0.75	0.75	0.85	1.30	1.30
Q3 2021	0.75	0.75	0.85	1.30	1.30
Q4 2021	0.75	0.75	0.85	1.30	1.30
Q1 2022	0.75	0.75	0.85	1.35	1.35
Q2 2022	0.75	0.75	0.85	1.35	1.35
Q3 2022	0.75	0.75	0.85	1.35	1.35
Q4 2022	0.75	0.75	0.85	1.40	1.40

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.75%, and that new long-term loans will be borrowed at an average rate of 3.43%.

3.0 Current Treasury Portfolio

The Council's treasury portfolio as at 31st December 2019 was as follows:

Table 2: Current Treasury Portfolio

	Principal £m	Interest rate %
Investments:		
Call accounts	0.0	
Money market funds	17.5	0.71%
Short-term deposits	0.0	
Long-term deposits	0.0	
Total Investments	17.5	0.71%
Borrowing:		
Short-term loans	32.0	0.77%
Long-term PWLB loans (fixed)	255.4	4.82%
Long-term PWLB loans (variable)	10.0	0.89%
Long-term market loans (LOBOs)	18.95	4.53%
Other Government loans	5.17	0.00%
Total Borrowing	321.52	4.2%
Net Borrowing	304.02	

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

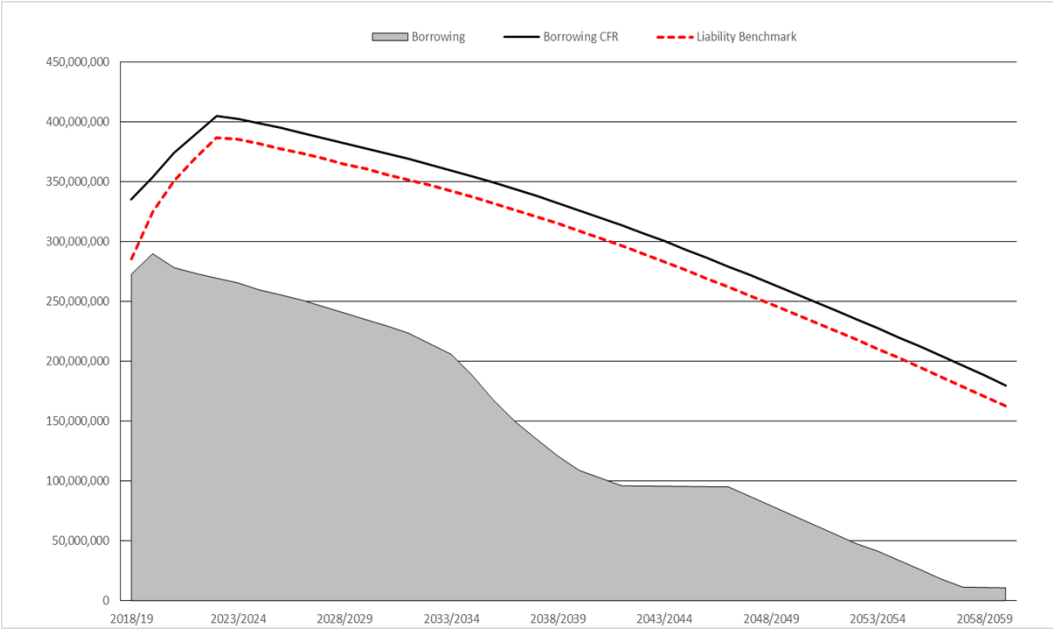
	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m	31.3.23 Estimate £m
Council Fund Capital Financing Requirement (Borrowing only)	206	218	229	239	246
Housing Revenue Account Capital Financing Requirement (Borrowing only)	129	135	145	150	159
Capital Financing Requirement (Borrowing only)	335	353	374	389	405
Less: Current ST borrowing	-44	-290	-278	-273	-269
Less: Current LT borrowing	-273				
Funding Required	18	63	96	116	136
Less: Usable reserves	-52	-32	-26	-23	-21
Adj: Working capital	3	3	3	3	3
Investments / New borrowing	31	-34	-73	-96	-118

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 Council'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 Council's CFR increases during 2020/21, this is linked with the capital programme (examples of schemes funded by borrowing include the 21st 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 Council has is expected to fall in 2020/21 as funding earmarked for specific purposes falls due for payment. 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 2020/21, the same as in previous years 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 2020)



Budget implications

The budget for investment income in 2020/21 is £75k, based on an average investment portfolio of £10m at an average interest rate of 0.75%. The total budget for loan interest paid in 2020/21 is £14.9m, based on a debt portfolio of £352m at an average interest rate of 4.43%. 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.

5.0 Treasury 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 treasury investment balance has ranged between £10.3m and £54.7m, with similar levels expected to be maintained in the forthcoming year. The Council's investments contribute to its service delivery objectives and/or to promote wellbeing as treasury management investments support effective treasury management activities

Non-treasury investments including loans to subsidiaries and purchases of investment property are not normally considered to be treasury investments, and these are therefore covered separately in Appendix B.

Both the CIPFA Code and the WG Guidance require the Council to invest its treasury 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.

Strategy

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council continues its aim to diversify into more secure and/or higher yielding asset classes during 2020/21 so far as cash liquidity requirements allow. This is especially the case if any medium to longer-term investments are made. This represents a continuation of the strategy adopted in recent years.

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)

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

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 Council'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 generally a lower risk of insolvency, although they are not zero risk. 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 and registered social landlords formerly known as housing associations. These bodies are tightly regulated by the Welsh Government. As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds

Shares or units in diversified investment vehicles consisting of 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 Council 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 Council's investment objectives will be monitored regularly.

Real estate investment trusts:

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Operational bank accounts

The Council 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 therefore, the Council will aim to keep balances as low as practically possible. 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 Council maintaining operational continuity.

Other Organisations

The Council 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 Council's treasury management adviser.

Risk assessment and credit ratings

The Council uses long-term credit ratings from Fitch, Moody's or Standard & Poor's 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, which indicate a long-term direction of travel rather than an imminent change of rating.

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, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise 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 unless the counterparty is a local authority,
- 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 financial 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, 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	£5m
Total invested in pooled funds without credit rating or rated below A-	£1m
Total investments without credit ratings or below A- (except UK Government and UK local authorities and pooled funds)	£2m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£1m
Shares in real estate investment trusts	£1m
Total non-specified investments	£10m

Foreign countries

Investments in foreign countries will be limited 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.

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.

Negative Interest Rates

If the UK enters into a recession in 2020/21, 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 would 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.

Business models

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

6.0 Borrowing Strategy

The Council currently holds £289.5m of long-term loans, as part of its strategy for funding previous years' capital programmes, which includes £17.5m of new long-term borrowing undertaken to date during 2019/20. The balance sheet forecast in section 4 shows that the Council expects to undertake new borrowing during the remainder of 2019/20 and 2020/21.

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 2020/21 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 use internal resources, and 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 and 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 2020/21 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.

The Council has previously raised the majority of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 now making it a more expensive option. The Council will in future consider borrowing long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

Alternatively, the Council may arrange forward starting loans during 2019/20, 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
- any institution approved for investments (see above)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Clwyd Pension Fund)
- Insurance companies
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable 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:

- leasing
- hire purchase

- Private Finance Initiative
- sale and leaseback
- WG Mutual Investment Model

Municipal Bonds Agency: UK Municipal Bonds Agency plc was 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 two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

LOBOs

The Council 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 Council 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 2020/21, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council 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 31st December 2019, the Council held £32m of short term (temporary) loans with an average rate of 0.77% and £10m variable rate loans at 0.89%.

These loans leave the Council 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 10.

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 Council 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 2020/21

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, 2019.

- Effect any borrowing that may be required in 2020/21 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.

7.0 Policy on Use of Financial Derivatives

In the absence of any explicit legal power to do so, the Council 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 Markets in Financial Instruments Directive

The Council has opted up to professional client with its providers of financial services, including advisers, banks, and brokers, allowing it access to a range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Finance Manager believes this to be the most appropriate status.

10.0 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:

	2020/21	2021/22	2022/23
Upper limit on fixed interest rate exposures	£395m	£410m	£425m
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:

	2020/21	2021/22	2022/23
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 Strategy report. However they are repeated here for completeness.

	2020/21	2021/22	2022/23
Operational boundary – borrowing	£375m	£390m	£405m
Operational boundary – other long-term liabilities	<u>£20m</u>	<u>£20m</u>	<u>£20m</u>
Operational boundary – TOTAL	£395m	£410m	£425m
Authorised limit – borrowing	£395m	£410m	£425m
Authorised limit – other long-term liabilities	<u>£35m</u>	<u>£35m</u>	<u>£35m</u>
Authorised limit – TOTAL	£430m	£445m	£460m

11.0 Other Matters

The WG Investment Guidance requires the Council to note the following 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 and Contract Procedure Rules.

Capacity and skills training

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

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

Training for elected Members is provided by Arlingclose on an annual basis and by the treasury management team on an ongoing basis.

Training ensures that those elected members and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to: 1. take informed decisions as to whether to enter into a specific investment; 2. to assess individual assessments in the context of the strategic objectives and risk profile of the Council; and 3. understand how the quantum of these decisions have changed the overall risk exposure of the Council.

The Council is reviewing steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

Investment of Money Borrowed in Advance of Need

Welsh Government guidance states that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

The Council will not borrow more than or in advance of their needs to profit from the investment but may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money for example in a climate of rising interest rates. Since amounts borrowed will be invested until spent, the Council 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 Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £430 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Climate change

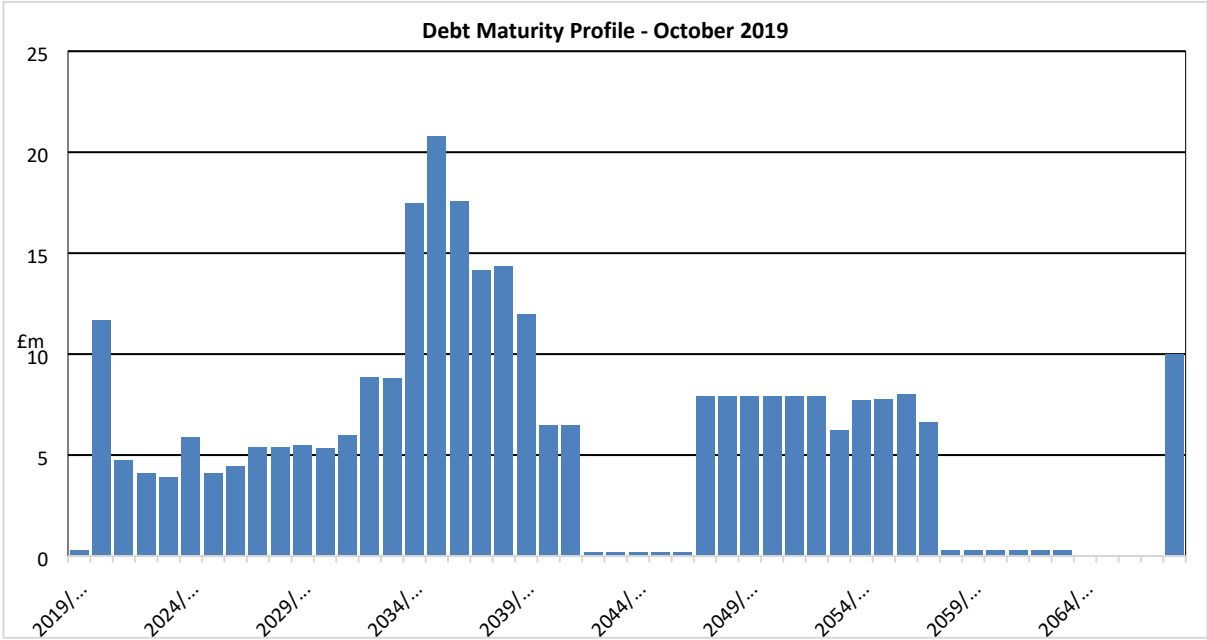
The Council is reviewing its approach to investment decisions to consider long-term climate risks to support a low carbon economy.

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.

Alternative	Impact on income and expenditure	Impact on risk management
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, but any such losses may be greater
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, but any such losses may be smaller
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	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



APPENDIX B – Additional requirements of Welsh Government Investment Guidance – Non Treasury Investments

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities and covers investments that are not part of treasury management. In this appendix the Council sets out the information required to comply with the WG guidance for Non Treasury Investments.

The Council has given loans to wholly owned companies for service purposes and has historical non-financial investments in property defined as Investment Properties within the Council's Statement of Accounts. The Council considers both to be Non Treasury Investments.

Loans to Wholly Owned Subsidiaries

The WG Guidance defines a loan as a written or oral agreement where the council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority.

Contribution:

The Council's investments, in the form of loans to wholly owned companies, contribute to its service delivery objectives and/or to promote wellbeing as follows:

The Council has embarked on an ambitious house building programme as part of its Strategic Housing and Regeneration Programme (SHARP). Over a 5 year period 500 new homes will be built at a range of sites across the county, a mixture of new council houses and affordable homes, alongside commissioning a range of linked regeneration initiatives and community benefits.

Affordable homes are being developed through the Council's wholly owned subsidiary North East Wales Homes (NEW Homes) in partnership with the Council. Affordable homes for rent are built or purchased by NEW Homes funded by loans from the Council. New affordable homes for rent have been built in Flint and are planned for Penyffordd (Holywell), Dobshell, Gronant, and Mold.

Controls and Limits:

The Council considers that its financial exposure to loans to wholly owned companies is proportionate and has set the limits in table B1. The Council's loan book is currently within these self-assessed limits.

NEW Homes was established on 3rd April 2014 to own, lease and manage properties with the aim of increasing the quantity and quality of affordable housing across the county.

NEW Homes is a company limited by shares, wholly owned by the Council (1 at £1 par value), established under section 95 of the Local Government Act 2003. The

Council has a high level of control over NEW Homes as the single shareholder approving:

- the issue of share capital
- the distribution of trading surplus
- annual business plan
- any asset disposals
- any borrowing against assets
- appointment of directors to the board

Table B1: Loan limits

Borrower	Cash Limit
Wholly owned companies	£40m
Treasury management investments meeting the definition of a loan	Unlimited

The Council, as required, has considered allowing for an ‘expected credit loss’ model for loans and receivables as set out in International Financial Reporting Standard 9 Financial Instruments as adopted by proper practices to measure the credit risk of its loan portfolio. When calculated the expected credit loss was very small. Given the high level of control the Council has over NEW Homes and the security arrangements, the Council decided against setting up a provision for expected credit loss from the loans to NEW Homes.

Appropriate consideration is given to state aid rules and competition law. The Council sought specific legal and finance advice to ensure existing and future loans are compliant with State Aid regulations. The rates applied are below what NEW Homes would receive on the open market, and therefore are granted to NEW Homes under the Services of General Economic Interest Decision (a State Aid exemption). Arrangements are in place to monitor and ensure that the amount of aid granted through the loan does not exceed the net cost of providing the Service of General Economic Interest. A deed of entrustment is in place to clearly set out the requirements of both parties.

Liquidity

The Council has borrowed from the PWLB to on-lend at a small margin to NEW Homes on the same terms and conditions therefore the impact on the Council’s treasury management activities is limited.

The length of the loans has been determined by assessing the cash flow of each housing development scheme to ensure over the long term affordable rents are sufficient to repay borrowing, interest, management costs, cyclical maintenance costs and reasonable allowances for voids and bad debts. Most schemes require an annuity loan commitment of 45 years, the maximum the Council would commit to is 50 years.

Agreements are in place ensuring that the Council has security on all NEW Homes properties which includes properties built using the loan funding and also other properties that NEW Homes owns outright (acquired from developers as part of Section 106 Planning Act agreements to provide affordable housing). In the event of a default the Council could either sell the properties to repay its borrowing, or include

within the Housing Revenue Accounts and continue to rent at social housing rent levels.

Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council accepts that the invested funds have been invested in NEW Homes for the length of the loans approx. 45 years and cannot readily be accessed for other purposes.

Yield (net profit)

The loans generate a small income for the Council as there is a margin of approx. 0.25% charged to NEW Homes on the Council's borrowing rate from the PWLB. The income makes a very small contribution to achieving a balanced revenue budget. The yield as a proportion of net revenue budget is less than 0.01%.

Investment Properties

The Welsh Government guidance includes an investment category covering non-financial assets held primarily or partially to generate a profit, primarily investment property. Proper accounting practice defines an investment property as those that are used solely to earn rent and / or for capital appreciation.

The Council has a portfolio of investment properties, in the form of agricultural property and industrial units. Although these are classified as investment properties, they are legacy assets and the council is managing down its agricultural portfolio and is reviewing its position in regard to industrial units.

Contribution:

The Council's investments, in the form of investment properties, contribute to its service delivery objectives and/or to promote wellbeing by providing a net financial surplus that is reinvested into local public services.

Security:

The Welsh Government guidance requires that security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices.

As the Council's Investment Portfolio is of a historic nature built up over many years, property purchase prices are not readily available to compare with current fair values. The table below shows the fair values of the current portfolio over the last 5 years demonstrating that the historic capital invested has remained stable over the past 5 years.

Table B2: Fair Value of Investment Properties

	31.3.2019 £m	31.3.2018 £m	31.3.2017 £m	31.3.2016 £m	31.3.2015 £m
Fair Value Inv. Properties	25.2	25.2	24.8	24.9	23.9

Liquidity

The Council's Investment Properties are historical investment decisions and therefore will have limited impact on the Council's liquidity. No recent investment has taken place in investment properties, and therefore there is no recent borrowing associated.

Yield (net profit)

The profit generated by investment activity makes a small contribution to achieving a balanced revenue budget. Table B3 below details the extent to which funding expenditure to meet the service delivery objectives and or promote wellbeing in the Council is dependent on achieving the expected yield over the life cycle of the Medium Term Financial Plan.

Table B3: Proportionality of Investment Properties

	2018/19 Actual £m	2019/20 Budget £m	2020/21 Budget £m
Net Revenue Budget	264.328	271.350	271.350
Net Investment income	1.710	1.870	1.73
Proportion	0.65%	0.69%	0.64%

FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO

31st December 2019

APPENDIX 2

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
AVIVA LIQUIDITY FUND	3.0	01/04/19	31/01/20	0.72%	18,049	MMF	1 month or less
AVIVA LIQUIDITY FUND	3.0						
CCLA PUBLIC SECTOR DEPOSIT FUND	3.0	01/04/19	31/01/20	0.72%	18,049	MMF	1 month or less
CCLA PUBLIC SECTOR DEPOSIT FUND	3.0						
FEDERATED STERLING PRIME FUND	3.0	01/04/19	31/01/20	0.73%	18,300	MMF	1 month or less
FEDERATED STERLING PRIME FUND	3.0						
INSIGHT LIQUIDITY FUND	3.0	17/04/19	31/01/20	0.72%	17,102	MMF	1 month or less
INSIGHT LIQUIDITY FUND	3.0						
INVESCO INVESTMENT CO	3.0	01/04/19	31/01/20	0.73%	18,300	MMF	1 month or less
INVESCO INVESTMENT CO	3.0						
MORGAN STANLEY STERLING LIQUIDITY FUND	0.7	17/04/19	31/01/20	0.65%	3,603	MMF	1 month or less
MORGAN STANLEY STERLING LIQUIDITY FUND	0.7						
SSGA LIQUIDITY FUND	1.8	07/11/19	31/01/20	0.66%	2,767	MMF	1 month or less
SSGA LIQUIDITY FUND	1.8						
TOTAL	17.5			0.71%	96,170		
PREVIOUS REPORTS TOTALS (30th September 2019)	19.5			0.69%			

FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY

31st December 2019

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	0.0	0%				
UK Building Society (UK BS)	0.0	0%				
Overseas	0.0	0%				
Local Authorities	0.0	0%				
CD's	0.0	0%				
T-Bills	0.0	0%				
Money Market Funds (MMF)	19.5	100%	19.5			
Total (£)	19.5		19.5	0.0	0.0	0.0
Total (%)		100%	100%	0%	0%	0%

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

31st DECEMBER 2019

APPENDIX 3

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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PWL 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	1,740,225	8.25	143,569	30/09/29
28/09/95	1,740,225	8.25	143,569	30/09/30
28/09/95	1,740,225	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
06/12/18	10,000,000	2.64	264,000	06/12/68
Total	230,810,621	5.13	11,840,018	

PWL Fixed Rate Annuity Loans				
06/12/18	7,444,672	2.79	225,299	06/01/63
Total	7,444,672	2.79	225,299	

PWL Fixed Rate Equal Instalment of Principle Loans				
01/04/19	9,666,667	1.65	162,250	01/04/34
13/08/19	7,500,000	1.28	96,000	13/08/37
Total	17,166,667	1.49	162,250	

PWL Variable Rate Maturity Loans				
05/05/10	10,000,000	0.89	89,000	05/05/20
Total	10,000,000	0.89	89,000	

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

Other Government Loans				
08/06/17	387,087	0.00	0.00	01/04/21
21/09/17	350,000	0.00	0.00	01/04/22
19/12/17	350,000	0.00	0.00	01/04/23
27/03/18	1,729,128	0.00	0.00	01/10/28
21/10/15	460,000	0.00	0.00	31/03/30
20/10/16	400,000	0.00	0.00	31/03/31
04/12/18	92,250	0.00	0.00	01/10/22
27/03/19	1,405,018	0.00	0.00	01/04/19
Total	5,173,483	0	0	

Totals				
Fixed Rate	255,421,959		12,227,567	
Variable Rate	10,000,000		89,000	
LOBOs	18,950,000		858,095	
Other	5,173,483		0	
Grand Total	289,545,442	4.58	13,174,662	

HRAS Buyout Loans

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FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING

31st December 2019

APPENDIX 4

Counterparty Name	Amount Borrowed £m	Start Date	Maturity Date	No of days	Interest Rate	Interest due £	Brokerage due £	Period to Maturity
BASINGSTOKE & DEANE BOR COUNCIL	5.0	28/10/19	06/01/20	0.80	0.75%	82	479	1 month or less
BASINGSTOKE & DEANE BOR COUNCIL	5.0							
CITY OF EDINBURGH COUNCIL	3.0	27/11/19	27/02/20	92.00	0.80%	6,049	378	1 - 3 months
CITY OF EDINBURGH COUNCIL	4.0	28/11/19	28/02/20	92.00	0.80%	8,066	504	1 - 3 months
CITY OF EDINBURGH COUNCIL	7.0							
LONDON BOROUGH OF BRENT	5.0	11/10/19	13/01/20	94.00	0.75%	9,658	644	1 month or less
LONDON BOROUGH OF BRENT	5.0							
MIDDLESBROUGH BOROUGH COUNCIL	5.0	28/10/19	03/01/20	67.00	0.80%	7,342	459	1 month or less
MIDDLESBROUGH BOROUGH COUNCIL	5.0							
NEATH PORT TALBOT CB	4.0	04/10/19	06/01/20	94.00	0.75%	7,726	515	1 month or less
NEATH PORT TALBOT CB	2.0	07/10/19	07/01/20	92.00	0.75%	3,781	252	1 month or less
NEATH PORT TALBOT CB	6.0							
THREE RIVERS DISTRICT COUNCIL	2.0	19/12/19	19/02/20	62.00	0.75%	2,548	504	1 - 3 months
THREE RIVERS DISTRICT COUNCIL	2.0							
VALE OF GLAMORGAN	2.0	28/10/19	02/01/20	66.00	0.75%	2,712	181	1 month or less
VALE OF GLAMORGAN	2.0							
TOTAL	32.0				0.77%	47,964	3,916	

SHORT TERM BORROWING SUMMARISED BY TYPE & MATURITY

31st December 2019

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	32.0	100%	23.0	9.0		
Total (£)	32.0		23.0	9.0	0.0	0.0
Total (%)		100%	72%	28%	0%	0%



AUDIT COMMITTEE

Date of Meeting	Wednesday, 29 th January 2020
Report Subject	Wales Audit Office (WAO) - Annual Audit Letter 2018/19
Report Author	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 2018/19.

RECOMMENDATIONS

1	Members review the WAO's Annual Audit Letter for 2018/19.
---	-----------------------------------------------------------

REPORT DETAILS

1.00	EXPLAINING THE ANNUAL AUDIT LETTER
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 th 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 2018/19 Statement of Accounts reported in detail to the Committee in September 2019.

2.00	RESOURCE IMPLICATIONS
2.01	No resource implications as a result of this report.

3.00	RISK MANAGEMENT
3.01	No specific risks as a direct result of this report requiring mitigation.

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	None required.

5.00	APPENDICES
5.01	Appendix 1 – WAO Annual Audit Letter

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Liz Thomas – Strategic Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk

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

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Councillor Ian Roberts – Leader
Colin Everett – Chief Executive
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

Reference: 1601A2019-20

Date issued: 18 November 2019

Dear Ian and Colin

Annual Audit Letter – Flintshire County Council 2018-19

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 the Council's 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.

On 13 September 2019 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my *Audit of Financial Statements report* and Full Council on 11 September 2019.

From 2020-21 onwards, Committee dates will need to be brought forward to incorporate the earlier statutory deadlines whereby the draft financial statements need to be prepared and signed by the responsible finance officer (S151 officer) by 31 May 2021 and the financial statements need to be approved by the Council and published by 31 July 2021.

I also received draft financial statements for the Clwyd Pension Fund on 11 June 2019. The draft financial statements were also prepared to a good standard and I am intending to issue an unqualified opinion on the Clwyd Pension Fund financial statements on 21 November 2019.

We will continue to work closely with Council officers over the Autumn to identify and implement further improvements to the preparation and audit of the Council's 2019-20 financial statements, including undertaking a full dry run of the earlier timetable, with the aim of meeting the revised deadlines by 2020-21.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

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 and under the Well-being of Future Generations (Wales) Act 2015.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, although in June 2019 I set out in my Annual Improvement Report¹ some areas where improvements could be made.

Notwithstanding the above conclusion, I wish to highlight that I am currently undertaking a review of the Council's financial sustainability, on which I expect to report to the Council by December 2019. My report will set out any specific areas where improvements could be made.

¹ <https://www.audit.wales/publication/flintshire-county-council-annual-improvement-report-2018-19>

I issued a certificate confirming that the audit of the Council's accounts was completed on 13 September 2019 and the I intend issuing it for the Clwyd Pension Fund on 21 November 2019

Having given an audit opinion on the financial statements and concluded on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, I was able to certify that the audit was complete when I issued my audit opinion.

My work to date on certification of grant claims and returns has not identified significant issues

A more detailed report on my grant certification work will follow early in 2020 once this year's programme of certification work is complete.

Financial audit fee

The financial audit fee for 2018-19 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



Richard Harries

Engagement Director

For and on behalf of the Auditor General for Wales

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 29 th January 2020
Report Subject	Code of Corporate Governance
Report Author	Chief Executive
Category	Advisory

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.

As the Code of Corporate Governance forms part of the Council's Constitution it will be presented for endorsement by the Constitution and Democratic Services Committee in March.

RECOMMENDATIONS

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

REPORT DETAILS

1.00	EXPLAINING THE CODE OF CORPORATE GOVERNANCE
1.01	<p>The Corporate Governance Working Group (CGWG) has two main roles: To annually review the Code of Corporate Governance and the preparation of the Annual Governance Statement (AGS).</p> <p>Under both roles the Group prepares 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 detailed within Section 3 of Appendix 1 attached.</p>

1.02	<p>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.</p> <p>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 '<i>Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities 2016</i>'.</p>
1.03	<p>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.</p>
1.04	<p>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.</p> <p>The CIPFA/SOLACE Framework is intended to assist authorities in ensuring that:</p> <ul style="list-style-type: none"> 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. <p>As a result of the revised Guidance note, the Code of Corporate Governance was significantly revised in 2017. The presentation and format has been further simplified and modernised for 2018/19.</p>

	The updating and formatting review of the code was initially carried out by the Corporate Governance Working Group followed by consultation with the Chief Executive, Monitoring Officer and Section 151 Officer. The revised code can be seen at Appendix 1.
1.05	<p>The seven principles for the code (taken from the Framework) are as follows:</p> <ul style="list-style-type: none"> A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law; B Ensuring openness and comprehensive stakeholder engagement; C Defining outcomes in terms of sustainable economic, social and environmental benefits; D Determining the interventions necessary to optimise the achievement of the intended outcomes; E Developing the Council's capacity, including the capability of its leadership and the individuals within it; F Managing risks and performance through robust internal control and strong public financial management; G Implementing good practices in transparency, reporting and audit to deliver effective accountability.
1.06	The principles of the Code are to be used by the Corporate Governance Working Group, Chief Officers and Overview and Scrutiny Committee chairs to help inform the preparation of the Annual Governance Statement.

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

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

4.00	RISK MANAGEMENT
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> <p>Both these risks are addressed through the adopted processes and approach each year, which reflect new or additional best practice and guidance.</p>

5.00	APPENDICES
5.01	Appendix 1: Code of Corporate Governance

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

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

Flintshire County Council's

DRAFT - Code of Corporate Governance

2019-2020



Content

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Whilst the Council is the Administering Authority for the Clwyd Pension Fund (the Pension Fund), the Clwyd Pension Fund produce their own Annual Governance Statement.

1. Introduction and Purpose

In accordance with the *Delivering Good Governance Framework* there is an expectation that there is a formally set local structure of governance, often referred to as the Local Code, within each local authority although in practice it may consist of a number of documents. Each authority should be able to demonstrate that the governance structure in place complies with the principles and sub principles contained within the *Delivering Good Governance Framework*.

"Governance is at the heart of public services. It underpins how resources are managed, how decisions are made, how services are delivered and the impact they have, now and in the future. It also infuses how organisations are led and how they interact with the public. Governance needs to be robust but it must also be proportionate. Well-governed organisations are dynamic and take well-managed risks; they are not stagnant and bureaucratic."¹

Flintshire County Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code (structure) of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website. A summary of the principles upon which it is based can be found in section 2 of this document.

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes. At the heart of our effective corporate governance is our adherence to the seven Nolan principles derived from *Striking the Balance - Upholding the Seven Principles of Public Life in Regulation* as listed within the table across and the five ways of working of the Well-being of Future Generations Act.

Seven Principles of Public Life	
Selflessness	Holders of public office should act solely in terms of the public interest.
Integrity	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty	Holders of public office should be truthful.
Leadership	Holders of public office should exhibit these principles in their own behaviour.

¹ Wales Audit Office: "Discussion Paper: The governance challenges posed by indirectly provided, publicly funded services in Wales" 2017

The diagram below is based on the International Framework: *Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework')*, and illustrates the various principles of good governance in the public sector and how they relate to each other.

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

Seven Principles of Good Governance



2. How the Council Achieves Good Governance:

With this section we demonstrate how good governance is achieved and maintained against the Core Principles and Sub Principles of the Delivering Good Governance Framework.

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

Behaving with integrity	How the Council achieves this
<ol style="list-style-type: none"> 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 which are reviewed on a regular basis to ensure that they are operating effectively. 	<ul style="list-style-type: none"> • Our Constitution has the Codes of Conduct and Protocols which Members and Officers (employees) have agreed to comply with. • The Council requires our Members, whether they are elected or co-opted, to sign and to be bound by our Code. • 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) • We operate an effective elections protocol, ensuring high standards are upheld during election periods. (1) • Our list of 'politically restricted posts is reviewed regularly and post holders reminded of statutory restrictions on their political activities.(1,2,3,& 4) • Our current employee appraisal system is based on the Council's Behavioural Competency Framework (3) and linked to the

	<p>objectives set out in the Council Plan. A revised appraisal model has been developed which is intended to be implemented prior to the start of the new financial year.</p> <ul style="list-style-type: none"> • We have Diversity and Equality ; Dignity at Work, and Whistleblowing policies; an Anti-fraud and Corruption Strategy and a Fraud Response Plan (1,2,3 & 4)
<p>Demonstrating strong commitment to ethical values</p>	<p>How the Council achieves this:</p>
<p>5. Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p> <p>6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's operation.</p> <p>7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>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.</p>	<ul style="list-style-type: none"> • The Council's commitment to the Nolan principles is shown in the codes and policies below which are found in the Constitution: <ul style="list-style-type: none"> - <i>Code of Conduct for Members</i> (5,6) - The <i>Flintshire Standard</i> which contains a <i>Local Resolution Procedure for complaints about Member behaviour</i> (5,6) - <i>Protocol for Members in their dealings with contractors, developers and other third parties.</i> (5,6) - <i>Protocol on Member/ Officer relations</i> (5,6) - <i>Officers' Code of Conduct</i> (5,6) • Contract Procedure Rules (7) • Financial Procedure Rules (7) • Procurement Strategy (7) • Whistle blowing policy (7) • Compliance with the Equality Act 2010 and Wellbeing of Future Generations (Wales) Act 2015 (8)
<p>Respecting the rule of law</p>	<p>How the Council achieves this:</p>
<p>9. Ensuring Members and employees demonstrate a strong commitment to the rule of law as well as adhering to the relevant laws and regulations.</p>	<ul style="list-style-type: none"> • Our Chief Officer (Governance) is the Monitoring Officer and Senior Information Risk Officer (SIRO) (9,10,11,12,13)

<p>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.</p> <p>11. Striving to optimise the use of the Council's full powers available for the benefit of its citizens, its communities and other stakeholders.</p> <p>12. Dealing with breaches of legal and regulatory provisions effectively.</p> <p>13. Ensuring corruption and misuse of power are dealt with effectively.</p>	<ul style="list-style-type: none"> • The Internal Audit function within the Governance Portfolio reports regularly to the Audit Committee which includes two independent lay Members. (9,11,12,13) • We have a Standards committee which promotes and maintains high standards of conduct by elected and co-opted Members. It comprises five independent, lay Members, three county councillors and one representative of community and town councils. (9,10,11) • Our relationship with the Wales Audit office and other regulatory bodies (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) is strong. (9, 11,12) • We have a robust Overview & Scrutiny function of six committees which together cover all of the Council's functions and our external partnerships. (9,10,11) • The Chairs and Vice-Chairs of the Audit Committee and the Overview & Scrutiny Committees now meet on a quarterly basis as a Liaison Group to ensure that there is co-ordination and to avoid duplication of activity between the functions. (10) • Unresolved or unsatisfied customer complaints can be considered by Public Services Ombudsman for Wales, whose contact details are published on our website. (9,10,12,13)
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Principle B: Ensuring openness and comprehensive stakeholder engagement

Openness	How the Council achieves this
<p>14. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</p> <p>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.</p> <p>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.</p> <p>17. Using formal and informal consultation and engagement to inform the most appropriate and effective interventions / courses of action.</p>	<ul style="list-style-type: none"> • Council's website, intranet and partners networks to continually demonstrate our commitment to openness (14,15) • Most committee reports are considered in public unless there is demonstrable legal basis for confidentiality (15) • Annual Reports for the Overview and Scrutiny Committees and Audit Committee (14,15) • County Council and Planning Committee meetings are streamed via live webcast.(15) • Committee Papers published on the Council's website (16) • County Forum (17) • Surveys & Feedback (17) • Customer Services Strategy (17) • Various channels of communication <ul style="list-style-type: none"> - e-magazine updates - 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

	<ul style="list-style-type: none"> - Consultation on the budget process with local stakeholders (residents and businesses) to help shape its budget proposals and encourage community involvement. (17)
<p>Engaging comprehensively with institutional stakeholders</p>	<p>How the Council achieves this:</p>
<p>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.</p> <p>19. Developing formal and informal partnerships to allow for resources to be used more effectively and outcomes achieved more effectively.</p> <p>20. Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners; and that the added value of partnership working is explicit.</p>	<ul style="list-style-type: none"> • Strategic Partnerships. (18,19) • Public Services Board (Well-being Plan). (19) • Partnerships with NEWydd & Aura Leisure & Libraries. 19) • Agreed protocol over the governance of Partnerships. (20) • Partnership self-assessments. (20)
<p>Engaging stakeholders effectively, including individual citizens and service users</p>	<p>How the Council achieves this:</p>
<p>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.</p> <p>22. Ensuring communication methods are effective and that Members and employees are clear about their roles with regard to community engagement.</p>	<ul style="list-style-type: none"> • Consultation and engagement framework and guideline/policy document. (21,23,24) • Surveys, Impact and Evidence gathering. (22) • Effective methods of Communication. (22) • Integrated Impact Assessments. (25) • Strategic Reports. (26) • Medium Term Financial Strategy. (26) • Wellbeing of Future Generations Policy. (26)

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| <ol style="list-style-type: none">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. | |
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Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes	How the Council achieves this:
<p>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.</p> <p>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.</p> <p>29. Delivering defined outcomes on a sustainable basis within the resources that will be available.</p> <p>30. Identifying and managing risks to the achievement of outcomes.</p> <p>31. Managing expectations effectively with regard to determining priorities and making the best use of the resources available.</p>	<ul style="list-style-type: none"> • Council Plan 2019/20. (27,28) • Business Plans. (29, 31) • Medium Term Financial Strategy. (29,31) • Capital Strategy and Asset Management Plan. (29,31) • Resilience Statements. (29,31) • Risk Management Policy and Strategy. (30) • Digital Strategy. (31) • Customer Services Strategy. (31) • People Strategy. (31)
Sustainable economic, social and environmental benefits	How the Council achieves this:
<p>32. Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</p> <p>33. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints.</p>	<ul style="list-style-type: none"> • Committee Reports. (32,33,34) • Budget Setting Policy. (32,33) • Capital Strategy and Asset Management Plan. (32,33) • Equality and Welsh Language Impact Assessments which also integrates with the requirements of the WBFG. (34,35)

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| <p>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 optimal solutions for stakeholders.</p> <p>35. Ensuring fair access to services.</p> | |
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Principle D: Determine the interventions necessary to optimise the achievements of the intended outcomes

Determining interventions	How the Council achieves this:
<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Committee System. (36) • Committee Meetings, Task and Finish Groups, workshops & briefings. (36) • Committee Minutes. (36) • Committee Reports. (37) • Updated Guidance Notes for the completion of Committee Reports. (37)
Planning interventions	How the Council achieves this:
<p>38. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</p> <p>39. Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered.</p> <p>40. Considering and monitoring risks facing each partner when working collaboratively including shared risks.</p> <p>41. Ensuring arrangements are flexible/agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.</p> <p>42. Establishing appropriate local performance indicators (as well as statutory or other national performance indicators) as part of</p>	<ul style="list-style-type: none"> • Council's Schedule of Meetings approved by the annual meeting of Council. (38,39) • Business and Financial Planning Cycle. (38) • Cabinet receives the combined forward work programme on a monthly basis. (38,39) • Each of the six Overview & Scrutiny Committees reviews its own Forward work programme at each meeting. (38,39) • Council Plan Monitoring Report. (38,42) • Engagement framework and guidelines/policy document policy. (39) • Strategic Partnerships - Self Assessment. (40) • Business Plan and Efficiency Plan Monitoring Reviews. (41,43)

<p>the planning process in order to assess how the performance of services is to be measured.</p> <p>43. Ensuring capacity exists to generate the information required to review service quality regularly.</p> <p>44. Preparing budgets in accordance with organisational objectives, strategies and the Medium Term Financial Strategy.</p> <p>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.</p>	<ul style="list-style-type: none"> • Medium Financial Term Strategy. (44,45) • Business Plans. (44)
<p>Optimising achievement of intended outcomes</p>	<p>How the Council achieves this:</p>
<p>46. Ensuring the Medium Term Financial Strategy integrates and balances off service priorities, affordability and other resource constraints.</p> <p>47. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</p> <p>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.</p> <p>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"</p>	<ul style="list-style-type: none"> • Medium Term Financial Strategy. (46,47) • Annual Budget Setting process. (46,47) • Portfolio Business Plan. (46,47,48) • Procurement Strategy. (49) • Contract Procedure Rules. (49) • Redesign of Social Value management. (49)

Principle E: Developing the Council's capacity, including the capability of its leaderships and the individuals within it

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Developing the entity's capacity	How the Council achieves this:
<p>50. Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</p> <p>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.</p> <p>52. Recognising the benefits of partnerships and collaborative working where added value can be achieved.</p> <p>53. Developing and maintaining an effective workforce plan to enhance strategic allocation of resources.</p>	<ul style="list-style-type: none"> • Annual Performance Report. (50,51) • Council Plan. (50,51) • Agreed Council's Capital Strategy & Asset Management Plan. (50,51) • Review of the Council's People, Digital and Customer Strategy. (50) • Use of a range of benchmarking groups for quality and productivity. (51) • Wales Audit Office's Annual Improvement Report and various letters. (51,52) • Sustainability of services through collaborative working with partners. (52) • Endorsed and approved People Strategy and associated action plan. (53) • Transition plan management, workforce succession plans and service resilience and efficiency statements. (53)
Developing the capability of the entity's leadership and other individuals	How the Council achieves this:
<p>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.</p>	<ul style="list-style-type: none"> • Our Constitution and Scheme of Delegation are under regular review and set out the arrangements for our governance (54, 55, 56 and 57) • Ability to respond to change demands through flexibilities within the Senior Management structure (57)

<p>55. Publishing a statement that specifies the types of decisions delegated to the Cabinet and those reserved for the collective decision making of the Council.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>59. Ensuring Members and employees 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.</p> <p>60. Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses.</p> <p>61. Ensuring that there are structures in place to encourage public participation.</p> <p>62. Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p> <p>63. Holding employees to account through regular performance reviews which take account of training and development needs.</p>	<ul style="list-style-type: none"> • Individual corporate and services specific induction and support for all employees in new jobs. Bespoke induction and support for elected Members. (58) • After whole council elections, there is a comprehensive induction programme for new and returning Members. (57) • Performance appraisals, are one of a number of performance management tools used, including 1-2-1 meetings, day to day supervision and team meetings, that aim to ensure employees' performance contributes to business objectives, and is used as part of a holistic approach to managing performance. (58,63) • Knowledge and skills and built and maintained through regular briefings and workshops. (59 and 60) • Action plans following external regulator inspection. (60) • A range of public consultation methods, a compliments and complaints scheme and statutory protocols for public engagement in Overview & Scrutiny. (61) • Welcome peer reviews of both governance arrangements and service delivery to improve the effectiveness of leadership. (62) • Career structures are in place for all employees and encourage participation and development in development and training. (62,63) • All HR policies and procedures, including Hand Wellbeing, Alcohol and Substance Misuse and Domestic Abuse are available on our Intranet. (64) • Provision of an Employee Assistance Programme (EAP) which provides emotional and practical support for issues at home or in work and supplements support available from Occupational Health. (64)
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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.	
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Principle F: Managing risks and performance through robust internal control and strong financial management

Managing risk	How the Council achieves this:
<p>65. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</p> <p>66. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</p> <p>67. Ensuring that responsibilities for managing individual risks are clearly allocated.</p>	<ul style="list-style-type: none"> • Risk Management Strategy. (65) • Council Plan. (65,66,67) • Portfolio Business Plan. (65) • Service Plans. (65) • Strategic Risk Register. (66) • Use of CAMMS for managing risk. (65,66) • Reporting of Strategic Risks on a quarterly basis to Overview and Scrutiny Committees and Audit Committee biannually. (66,67) • Council Plan Monitoring Reports. (66,67) • Escalation of Risk Protocol. (65,66,67)
Managing Performance	How the Council achieves this:
<p>68. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Portfolio Business Efficiency Plans. (68) • Performance Monitoring. (68) • Use of the CAMMS system. (68) • Post Implementation Reviews. (68) • Integrated Impact Assessments. (69) • Financial Procedural Rules. (69) • Contract Procedural Rules. (69) • Six Overview & Scrutiny Committees. (70) • Chair & Vice Chairs Liaison Group. (70) • Calling in Process. (70) • Cabinet. (70,71)

<p>71. Providing Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</p> <p>72. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</p>	<ul style="list-style-type: none"> • Council's Constitution. (70) • Council Policies. (70) • Performance Monitoring Reports. (71) • Annual Improvement Review. (71) • Publicly published Agenda and minutes. (71) • Publicly reported Overview & Scrutiny Annual Report. (71) • Publicly Report Internal Audit Annual Report. (71) • Budget Monitoring Process. (72) • Budget Monitoring Reports. (72) • Corporate Resources Overview & Scrutiny. (72)
<p>Robust internal control</p>	<p>How the Council achieves this:</p>
<p>73. Aligning the risk management strategy and policies on internal control with achieving the Council's objectives.</p> <p>74. Evaluating and monitoring the Council's risk management and internal control on a regular basis.</p> <p>75. Ensuring effective counter-fraud and anti-corruption arrangements are in place.</p> <p>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.</p> <p>77. Ensuring an Audit Committee or equivalent group or function which is independent of the Cabinet 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.</p>	<ul style="list-style-type: none"> • Risk Management Strategy. (73,74) • Portfolio Business Plans. (73) • Service Plans. (73) • Audit Committees endorsement of strategy and biannual performance reports. (74,76) • Corporate Anti-Fraud And Corruption Strategy. (75) • Fraud Response Plan. (75) • Whistleblowing Policy. (75) • Internal Audit and Compliance with Public Sector Internal Audit Standard (PSIAS). (76) • Independence of the Internal Audit Service within the Council. (76) • Audit Committee Training. (76) • Annual Internal Audit Risk Based Plan. (76) • Audit Committee comprising of seven Members and two lay Members. (77) • Audit Committee Charter and Terms of Reference. (77) • Audit Committee's Annual Report. (77)

Managing Data	How the Council achieves this:
<p>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.</p> <p>79. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</p> <p>80. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</p>	<ul style="list-style-type: none"> • Information Security Management System. (78,79) • Data Protection Policies, Guidance and Training. (78,79) • Cyber Security Training. (78) • Public Sector Network Accreditation. (78) • Wales Accord for Sharing Personal Information (WASPI). (79) • GDPR Phase 2 Action Plan. (78,79,80) • Corporate Information Asset Register. (78,80) • Cyber Essentials Accreditation. (78) • Data Processing Agreements. (78) • Corporate reporting and monitoring of security breaches. (78,80) • Data Protection Audit. (80) • IT Technical Specification. (78, 79, 80) • Central recording of corporate performance data (CAMMS). (80) • External data quality audits. (80)
Strong public financial management	How the Council achieves this:
<p>81. Ensuring the Council's financial management supports both long term achievement of outcomes and short-term financial and operational performance.</p> <p>82. Ensuring well-developed financial management is integrated at all organisational levels of planning and control, including management of financial risks and controls.</p>	<ul style="list-style-type: none"> • Medium Term Financial Strategy (MTFS.) (81) • Business Efficiency Plans. (82) • Part 4 of the Constitution – Budget and Policy Framework Procedure Rules. (82) • Monthly revenue monitoring reports to Cabinet and Corporate Resources Overview and Scrutiny Committee. (82) • Quarterly capital monitoring reports to Cabinet and Corporate Resources Overview and Scrutiny Committee. (82) • Treasury Management and Policy Statement. (82) • Scheme of Delegation. (82) • Financial Procedural Rules. (82)

	<ul style="list-style-type: none">• Council's Constitution. (82)• Internal Performance Indicators for the MTFS, monitored with the Council Plan. (82)
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Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Implementing good practice in transparency	How the Council achieves this:
<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Council Website. (83,84) • Council’s publication scheme. (83,84) • Annual Report. (83,84) • Updated Report Format and Writing Guidance. (83,84) • Easy read and use of infographics of strategies and public documents. (83,84)
Implementing good practices in reporting	How the Council achieves this:
<p>85. Reporting at least annually on performance, value for money and the stewardship of its resources.</p> <p>86. Ensuring Members and senior management own the results.</p> <p>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).</p> <p>88. Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.</p> <p>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.</p>	<ul style="list-style-type: none"> • Annual Performance Report. (85) • Audited and Signed Statement of Accounts. (85,86,89) • Monitoring and reporting of Council improvement. (87) • Code of Corporate Governance. (87,88) • Annual Governance Statement. (87,88)

Assurance and effective accountability	How is the Council achieves this:
<p>90. Ensuring that recommendations for corrective action made by external audit are acted upon.</p> <p>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.</p> <p>92. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</p> <p>93. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>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.</p>	<ul style="list-style-type: none"> • Committee Papers (90) • Independent position of Internal Audit within the Council with direct access to Senior Officers and Members (91) • Annual Self-Assessment and external assessment for compliance with the Internal Audit Public Sector Standards (PSIAS) (91) • Regular Self-Assessment of Services (92) • External validation via benchmarking and commissioned assessments (92) • External Regulatory Reports (Committee Minutes) (92) • Annual Summary of External Regulatory reports to Audit Committee (92) • Peer Reviews (92) • Risk Assessment and Governance Arrangements for Partnerships (alternative delivery models) (93) • Partnership Board Minutes - ADMs (94)

4. Monitoring and Review

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

The memberships of the Corporate Governance Group is:

Lisa Brownbill (Chair)
Jay Davies
Andrew Elford
Robert Robins
Lyn Philips
Mandy Humphries
Sharon Carney

Internal Audit Manager
Strategic Performance Advisor
Principal Accountant
Democratic Services Manager
Democratic Services Team Leader
ICT Services Business Manager
Senior Manager, Human Resources & Organisational Development

5 Assurance Statements

I am satisfied that there are effective governance arrangements in place, including a sound system of internal control, throughout the year ended 31st March 2019 and that this is ongoing.

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

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 29 th January 2020
Report Subject	Financial Procedure Rules
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to, part of this process is the establishment of financial procedures that set out the financial policies of the Authority.

The Council's Financial Procedure Rules (FPR's) were last updated and approved by Council on 1st March 2018 where they were fully revised to reflect the changes to the operating model of the Council. The FPR's are subject to revision every two years.

As part of the current review the FPR's have been updated through consultation with the relevant service managers and the Chief Officer Team and various minor changes made to reflect updated procedures and service delivery methods.

A copy of the revised FPR's are attached as Appendix 1 with a further version showing the tracked changes made attached as Appendix 2.

RECOMMENDATIONS

1	That Audit Committee endorse the updated Financial Procedure Rules and recommend that they are submitted to Council.
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REPORT DETAILS

1.00	Explaining the Financial Procedure Rules (FPR's)
1.01	Section 151 of the Local Government Act 1972 and the Accounts and Audit (Wales) Regulations require the Council to make arrangements for the proper administration of its financial affairs.
1.02	To conduct its business efficiently, the Council needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this is the establishment of financial procedures that set out the financial policies of the Authority.
1.03	The FPR's are set into six main sections: <ul style="list-style-type: none"> 1. Status of Financial Regulations 2. Financial Management – General roles and responsibilities 3. Financial Planning 4. Risk Management and Control of Resources 5. Financial Systems and Procedures 6. External Arrangements
1.04	The Council's FPR's are reviewed every two years. Previous reviews have updated them to reflect the CIPFA guidance on financial regulations.
1.05	The FPR's were last updated in 2017 and were approved by Council on 1st March 2018.
1.06	The revisions made to this updated version represent minor changes that reflect the current Chief Officer operating model, the revised finance structure and updates that reflect current processes.
1.07	A summary of the FPR's will also be available which is intended to be an easy reference guide for budget holding managers and other staff. This will include practical advice and references to more detailed information when requested.
1.08	Following approval of the FPR's the Finance Team will undertake awareness raising with management teams to ensure that managers and their staff understand their responsibilities with regard to the FPR's and emphasis will be put on the requirement of <u>all</u> staff to ensure compliance.
1.09	Once approved, the adherence to the FPR's will be monitored by finance teams with any breaches or concerns reported to Chief Officers on a quarterly basis.
1.10	Next Steps The Financial Procedure Rules will be considered by Constitution Committee on 5 th March 2020 prior to County Council on 5 th May 2020.

2.00	RESOURCE IMPLICATIONS
2.01	There are no resource implications arising directly from the report although the implementation of the FPR's ensure robust, consistent financial processes across the Authority.
3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The FPR's contribute to minimising the financial risks across the Council.
4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	The proposed changes have been prepared in consultation with the Chief Officer Team, Financial Management Team and Internal Audit.
5.00	APPENDICES
5.01	Appendix 1 - Financial Procedure Rules Appendix 2 – Financial Procedure Rules (with tracked changes) Appendix 3 – Glossary of Terms
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None
7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Gary Ferguson Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk
8.00	GLOSSARY OF TERMS
	See Appendix 3 of the report

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Appendix 1

Flintshire County Council

Financial Procedure Rules

Revised 2020

Contents

1. Status of Financial Regulations
2. Financial Management – General Roles and Responsibilities
3. Financial Planning
4. Risk Management and Control of Resources
5. Financial Systems and Procedures
6. External Arrangements

1. Status of Financial Regulations

1.1 What are Financial Procedure Rules?

1.1.1 Financial Procedures provide the framework for managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf.

1.1.2 The procedures identify the financial responsibilities of the full Council, the Cabinet and officers.

1.1.3 Where there are references to the Chief Executive and Chief Officer the responsibility is as follows:

The Chief Executive as Head of Paid Service at a strategic level provides oversight, coordination and direction across the organisation and ensures the Chief Officer Team work collectively.

Chief Officers are accountable at a strategic and operational level for resource management, performance management and delivery of services for the Portfolio for which they have responsibility.

In addition, the Council holds the following statutory posts:

The Head of Paid Service is the Chief Executive

The Chief Finance Officer is the Corporate Finance Manager

The Chief Education Officer is the Chief Officer (Education and Youth)

The Monitoring Officer is the Chief Officer (Governance)

The Chief Officer Social Services

Democratic Services Manager

1.1.4 These Financial Procedure Rules are part of the Council's Rules of Procedure. They must be read in conjunction with the rest of the Constitution, of which they form part, including the Contract Procedure Rules.

1.1.5 These Financial Procedure Rules and other regulatory rules apply to the Clwyd Pension Fund except where separate legislation exists, e.g. Local Government Investment Regulations.

1.2 Why are they important?

1.2.1 To conduct its business effectively, the Council needs to ensure that sound financial management arrangements are in place and that they are strictly adhered to in practice. Part of this process is the establishment of Financial Procedures which set out the financial responsibilities of the Council. These procedures have been devised as a control to help the Council manage its financial matters properly in compliance with all necessary requirements.

1.2.2 Good, sound financial management is a key element of the Council's Corporate Governance framework which helps to ensure that the Council is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

1.2.3 Good financial management secures value for money, controls spending, ensures due probity of transactions and allows decisions to be informed by accurate accounting information.

1.2.4 Good financial management requires secure and reliable records and systems to process transactions and information and substantiate the effective use of public money.

1.2.5 Financial Procedures should not be seen in isolation, but rather as part of the overall regulatory framework of the Council as set out in the Council's Constitution.

1.3 Who do Financial Procedures apply to?

1.3.1 Financial Procedures apply to every Member and officer of the Council and anyone acting on its behalf. Members and officers have a general responsibility for taking reasonable action to provide for the security and use of the resources and assets under their control, and for ensuring that the use of such resources and assets is legal, consistent with Council policies and priorities, is properly authorised, provides value for money and achieves best value.

1.3.2 Separate financial procedures have been incorporated into the Council's Scheme for Financing of Schools and relate to those matters where decisions have been delegated to school governing bodies.

1.3.3. These Financial Procedures shall apply in relation to any partnership for which the Council is the accountable body, unless the Council expressly agrees otherwise. Where services are provided via an 'Alternative Delivery Model', specific financial procedures will be incorporated into the individual models.

1.3.4 Failure to observe Financial Procedures may result in action under the Council's disciplinary procedures.

1.4 Who is responsible for ensuring that they are applied?

1.4.1 The Chief Executive and Chief Officers are ultimately responsible to the Council for ensuring that Financial Procedures are applied and observed by his/her staff and contractors providing services on the Council's behalf and for reporting to the Chief Finance Officer any known or suspected breaches of the procedures.

1.4.2 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedures and submitting any additions or changes necessary to the Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedures to the Council and/or to the Members.

1.4.3 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Procedures which Members, Chief Executive and Chief Officers and others acting on behalf of the Council are required to follow.

1.4.4 Where any Officer considers that complying with Financial Procedures in a particular situation might conflict with the achievement of value for money or the principles of Best Value or the best interests of the Council, he/she shall raise the issue with the Chief Finance Officer who will, if he/she considers necessary and appropriate, seek formal approval from the Council for a specific waiver of the procedures, or an amendment to the procedures themselves.

2. Financial Management – General Roles and Responsibilities

The Role of the Full Council

2.1.1. The Council has a duty towards its Council Tax payers and Non Domestic Ratepayers with regard to financial decisions and their consequences. The full Council is responsible for adopting the Council's Constitution and Members' Code of Conduct and for approving the budget and policy framework within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The full Council is also responsible for monitoring compliance with policies and related Cabinet decisions.

2.2 The Role of the Cabinet

2.2.1 The Cabinet (as the Council's Executive) is responsible for proposing the Budget and Policy Framework to full Council, and for discharging executive functions in accordance with the Budget and Policy Framework.

2.3 The Role of the Chief Finance Officer

2.3.1 The Chief Finance Officer is accountable to the Chief Executive and the Council and has statutory duties that provide overall responsibility for the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. These statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations (Wales) Regulations currently in force

2.3.2 The Chief Finance Officer among other functions is responsible for;

- a) The proper administration of the Council's financial affairs.
- b) Setting and monitoring compliance with financial management standards.
- c) Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
- d) Advising on all matters which affect, or potentially affect, the finances or financial administration of the Council.
- e) Providing financial information.
- f) Making recommendations to the Cabinet and Council for the preparation of the revenue budget and capital programme.

- g) Preparing the approved revenue budget and capital programme.
- h) Treasury management.

The Chief Executive and Chief Officers are responsible for promoting the financial management standards set by the Chief Finance Officer in their portfolio and monitoring adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to every Member of the Cabinet or the Council as appropriate and to the External Auditor, if the Council, a Committee or Officer of the Council, or a Joint Committee on which the Council is represented:

- Has made, or is about to make, a decision which involves or would involve the Council incurring expenditure which is unlawful
- Has taken, or is about to take, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the Council
- Is about to make an unlawful entry in the Council's accounts

The Chief Finance Officer must consult with the Head of Paid Service and the Monitoring Officer when preparing any report under Section 114.

The Chief Finance Officer shall make a report under this Section if it appears to him or her that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally, due to absence or illness
- The Council to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114
(All references to a Committee (joint or otherwise) include Sub-Committees).

Where a report has been issued by the Chief Finance Officer under Section 114 of the Local Government Finance Act 1988, the Council and the Council's Head of Paid Service shall then follow the requirements of Sections 115 and 116 of the said Act.

2.4 The Role of Chief Officers

2.4.1 Chief Officers are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy.

2.4.2 Chief Officers are responsible for:

- a) Ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions and the management of activities, having regard to advice and guidance from the Chief Finance Officer.
- b) Ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.
- c) Consulting with the Chief Finance Officer in seeking approval regarding any matters which may affect the Council's finances materially, before any commitments are incurred.
- d) Consulting with each other on any issue with corporate financial implications before submitting policy options or recommendations to Members.

3. Financial Planning

3.1 Strategic Planning

Why is this important?

Planning is a continuous process and is a fundamental tool in the management and control of the Council. The Council has a statutory responsibility to produce various plans. Financial planning is a key part of this process, setting out the financial consequences of the actions planned to meet the objectives and targets set within the plan.

Key Controls

- Ensure that all relevant plans are produced and that they are consistent with Corporate objectives
- Produce plans in accordance with statutory requirements
- Meet the timetables set
- Ensure that all performance information is accurate, complete and up to date
- Provide improvement targets that are meaningful, realistic and challenging

Responsibilities of the Chief Finance Officer

- a) To advise and supply the financial information that needs to be included in plans in accordance with the statutory requirements and agreed timetables.
- b) To contribute to the development of corporate and service targets and objectives and performance information.
- c) To ensure that performance information is monitored frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of the Chief Officers

- a) To contribute to the development of plans in line with statutory requirements.
- b) To contribute to the development of corporate and service targets and objectives and performance information.

3.2 Budgets and Medium Term Planning

Why is this important?

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively to enable scarce resources to be allocated in accordance with the Council's priorities.

Flintshire's Medium Term Financial Strategy (MTFS) provides a framework for the financial principles through which revenue and capital resources will be forecast, organised and managed to deliver the Council's vision and strategic objectives.

The MTFS uses detailed intelligence led forecasting to estimate available resources, investment needs linked to the Council Plan and priorities, demand and externally led cost pressures and opportunities for efficiencies / savings for both revenue services and the capital programme over the medium term. The MTFS enables the gap between forecast funding levels and resource requirements to be identified over the medium term.

Detailed work is undertaken on an annual basis by The Finance Team, in conjunction with the Chief Executive and Chief Officer Team to build on the MTFS to enable a balanced revenue budget and capital programme which is approved by Council for the following financial year.

Responsibilities of the Chief Finance Officer

- a) To prepare and submit reports on budget prospects for the Cabinet including resource constraints set by the Welsh Government.
- b) To determine the detailed form of revenue estimates after consultation with the Cabinet, Chief Executive and Chief Officers.
- c) To prepare and submit forecasting reports to the Cabinet on the aggregate spending plans and resources available to fund them.
- d) To advise on the medium term implications of spending decisions and prepare forecasts.
- e) To encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness.
- f) To advise the Council on proposals in accordance with responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of the Chief Officers

- a) To integrate financial and budget plans into service planning so that budget plans can be supported by financial and non-financial performance measures.
- b) To encourage the best use of resources and value for money by working with the Chief Finance Officer to identify opportunities to improve economy, efficiency and effectiveness.

3.3 Budgeting

3.3.1 Revenue Budget

Why is this important?

Budgetary control and monitoring procedures ensure that once the budget has been formally approved by the County Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity.

Key Controls

The key controls for managing and controlling the revenue budget are:

- Budget managers should be responsible only for income and expenditure that they can influence
- There is a nominated budget manager for each cost centre heading and the responsibilities for budgetary control are clearly defined
- Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- Budget managers follow an approved certification process for all expenditure
- Income and expenditure are properly recorded and accounted for
- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget
- An annual cycle is established to ensure budgets are promptly prepared

Responsibilities of the Chief Finance Officer

To ensure an appropriate framework of budgetary management and control that ensures that:

- a) A revenue budget is prepared on an annual basis, together with a revenue projection over the medium term, for consideration by the Cabinet, which will make recommendations to the Council. The Council is responsible for the approval of the revenue budget.
- b) A resource allocation process is developed and maintained for consideration by Members at each stage of the revenue budget process.
- c) The revenue budget includes the proposed level of unallocated Council Fund reserves, proposed taxation levels and the proposed budgets for each Chief Officer and for central and corporate budget heads.
- d) Each Chief Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
- e) Expenditure is committed only against an approved budget head.
- f) Significant variances from approved budgets are investigated and reported by budget managers on a regular and timely basis.

Responsibilities of the Chief Officers

- a) To maintain budgetary control within their departments and ensure that all income and expenditure are properly recorded and accounted for.
- b) To ensure that an accountable budget manager is identified for each area of income and expenditure under the control of the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision making that commits expenditure.
- c) Ensure that Managers and all staff understand their financial responsibilities.
- d) Ensure that budget managers follow the monthly budget monitoring procedures when using Collaborative Planning (CP) system.
- e) To prepare annual service plans linked to the Council Plan identifying any budgetary implications for inclusion in the Medium Term Financial Plan for Member consideration.
- f) To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast. Variances in excess of £50k should be reported with an explanation to the Chief Finance Officer.

- g) Prepare budget action plans where a significant overspend is forecast. The action plan should identify how expenditure will be brought back into line with budget, either by taking corrective action, or through the proposed use of compensating savings elsewhere in their budget.
- h) Report areas of forecast under spend, along with the implications for future years, for corporate consideration of where any available resources should be re-allocated. The use of budget savings other than in accordance with the approved budget is not permitted without Cabinet approval.
- i) Consult with the Chief Finance Officer and seek advice on further action to be taken before any commitments are incurred, where these are not covered by the Council's approved budget.
- j) Report significant variations from budget to the Chief Finance Officer, who will report the position and any budget actions plans in the overall budget monitoring report to Cabinet. In certain circumstances it may be that the significance of the variance requires a separate report to Cabinet for consideration or approval. The report will outline the reasons for the projected variance, the implications for future years' budgets, along with the budget action plan to bring expenditure in line with the budget.
- k) Budget action plans will be monitored by the relevant Chief Officer who will notify the Chief Finance Officer should it emerge that a budget action plan will fail to prevent an overspend. The Chief Finance Officer will report the position to Cabinet.
- l) In exceptional cases submit reports to the Cabinet and to the Council, in consultation with Chief Finance Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control, requesting a supplementary budget allocation for the current financial year only.
- m) Nothing in the Financial Procedure Rules shall prevent expenditure being incurred which is essential to meet any immediate needs arising from an emergency, including any expenditure under Section 155 of the Local Government and Housing Act 1989 (Emergency Financial Assistance Scheme, formerly known as the "Belwin" scheme). Such action shall only be taken after consultation with the Chief Finance Officer, and any such expenditure must be reported retrospectively to the Cabinet, and the funding for such expenditure must be agreed as soon as possible.
- n) To ensure compliance with the scheme of virement.

3.3.2 Budget Virements/Accounting Adjustments

Why is this important?

Transfers between budgets is an integral and important feature of budgetary control for an organisation to ensure sound financial management.

In general terms there are two main types of budget transfers:-

1. Accounting Adjustments – this is where it is necessary to transfer a budget from one place to another to account properly for the relevant expenditure or income but where the approved purpose of that expenditure/income does not change from that approved by County Council. An example of this is the allocation of energy inflation which is held centrally and allocated to portfolio areas based on evidenced need.
2. Formal Virements – this is where there is an intended action to transfer budget from one place to another that does change the purpose of the expenditure/income approved by County Council. An example of this would be the transfer of an amount from Adult Social Services to Children’s Social Services to deal with a pressure in the Children’s Services area.

The Key Principles underpinning the control of budget transfers are as follows:

- Where Budget transfers relate to a change of use or policy they should be authorised and there should be formal evidence of this
- Transferring budgets simply to minimise variances are specifically precluded
- Where an approved budget is a lump sum provision or contingency intended for allocation during the year, its allocation will not be treated as a virement provided the amount is used in accordance with the purposes for which it was originally intended, or if Cabinet has approved the basis on which it will be allocated

Formal Virements in excess of £100,000 (this includes cumulative amounts over £100,000) should be submitted to Cabinet for Approval

- Where there are policy implications for the Council which require a budget virement, Cabinet approval must be obtained

Overall control of budget transfers is undertaken within the Strategy and Insurance team which tracks the movements and also ensures that any virements that change the purpose of the funding are subject to the relevant approval

The Corporate Finance Manager as Section 151 Officer for the Council has a legal responsibility to ensure the proper management of the Councils financial affairs and is content that the rules and procedures in place governing the virement of budget are adequate.

Key Controls

- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget
- Notification of virements should be given to the Chief Finance Officer and approved

Responsibilities of the Chief Finance Officer

- a) Ensure that budget virements in excess of £100,000 (cumulative) are submitted to Cabinet for approval.
- b) Where there are policy implications for the Council ensure that Cabinet approval is obtained where it is proposed to vire between budgets of different Cabinet Portfolio holders or vire between budgets managed by different Chief Officers.
- c) Where there are implications to the policy framework submit a joint report with the relevant Chief Officer.

Responsibilities of the Chief Officers

- a) To ensure compliance with the scheme of virement.
- b) To agree with the relevant Chief Officer where it appears that a virement proposal may impact materially on another service area.

3.4 Capital Programme

Why is this important?

Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the Council such as land, buildings and major items of plant, equipment and vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

Key Controls

The key controls for capital programmes are:

- Specific approval by the County Council for the programme of capital expenditure
- Expenditure on capital schemes is subject to the approval of the Chief Officer
- A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project
- Accountability for each proposal is accepted by a named manager

- Monitoring of progress in conjunction with expenditure and comparison with approved budget

Responsibilities of the Chief Finance Officer

- a) To prepare capital estimates jointly with Chief Officers to report them to the Cabinet for approval which will make recommendations to the Council.
- b) To be responsible for the monitoring of the capital programme in conjunction with the Chief Officer (Housing and Assets).
- c) To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates on a quarterly basis. The report will identify changes in capital resources, including the generation of capital receipts and the effect of carry forward together with quantifying contractually uncommitted values by scheme.
- d) To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the specified amount.
- e) To ensure that whole schemes, or distinct parts thereof, which are identified as slipping into the following financial year, shall be included in the Capital Programme assessments for the later year.
- f) Ensure that the approved Capital Programme includes information on grant funded schemes if appropriate.

Responsibilities of the Chief Officers

- a) To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- b) To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.
- c) To prepare regular reports reviewing the capital programme provisions for their services.
- d) To ensure that adequate records are maintained for all capital contracts.
- e) To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- f) To ensure that credit agreements such as leasing agreements are not entered into without the agreement of the Chief Finance Officer (via the Treasury Management Team) and if applicable approval of the scheme through the capital programme.

- g) To ensure that for the purchase of all items which are not brand new that a Hire Purchase Information (HPI) check has been undertaken to ensure that there is no outstanding finance.

3.5 Maintenance of Reserves

Why is this important?

The Council must decide the general level of reserves it wishes to maintain before it can decide the level of Council tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and therefore protect it from overspending should such events occur. Reserves for specific purposes may also be maintained such as the purchase or renewal of capital items.

Key Controls

To maintain reserves in accordance with the CIPFA Code of Practice and agreed accounting policies.

The Councils Reserves protocol must be adhered to by all officers to ensure the controls governing reserves are followed.

Responsibilities of the Chief Finance Officer

To advise the Cabinet and/or the full Council on prudent levels of reserves for the Council and to provide an annual statement as to the adequacy of the level of reserves held.

Responsibilities of the Chief Officers

To ensure that resources are used only for the purposes for which they were intended.
To ensure the Reserves Protocol is followed.

4. Risk Management and Control of Resources

4.1 Risk Management

Why is this important?

The Council, like any organisation, faces risks to people, property and continued business operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the Council and ensure the continued financial and organisation well-being of the Council. Risk management is concerned with evaluating the measures the Council has in place to manage identified risks and recommending the course of action the organisation needs to take to control these risks effectively.

Risk Management is an integral part of the Council's Governance Framework and Internal Control. The Council has a Risk Management Strategy which outlines how the Council manages risk corporately.

Key Controls

The key controls for risk management are:

- Procedures are in place to identify, assess, prevent or contain material known risks
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- Managers know that they are responsible for managing relevant risk and are provided with relevant information
- Provision is made for losses that might result from the risks that remain
- Procedures are in place to investigate claims within required timescales
- Acceptable levels of risk are determined and insured against where appropriate
- Business Continuity Plans are in place

Responsibilities of the Chief Finance Officer

- a) To develop and implement risk management controls in conjunction with Chief Officers.
- b) To include all appropriate employees of the Council in a suitable Fidelity Guarantee insurance policy.
- c) To effect corporate insurance cover, for all relevant and identified risks, through external insurance and internal funding and negotiate all claims in consultation with other officers.
- d) In consultation with other officers if applicable, to negotiate all claims with a view to minimising both financial and reputational loss.

Responsibilities of the Chief Officers

- a) To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Council, and to respond promptly with any information or explanation required by the Chief Finance Officer for the Council's insurers.
- b) To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers e.g. health and safety.
- c) To implement the Risk Management Strategy and ensure a regular review of risks within the service they manage.
- d) To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- e) To ensure that employees or anyone covered by the Council's insurances do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- f) To ensure Business Continuity plans are in place and regularly reviewed.
- g) To ensure that no insurance policies are taken out without first consulting with the Chief Finance Officer.

4.2 Internal Controls

Why is this important?

Overall responsibility for the control environment rests with the Council as a whole. The Chief Officer Team is responsible for overseeing and monitoring the control environment.

Monitoring of compliance with policies, procedures, laws and regulations is undertaken by relevant key officers. The Chief Finance Officer and Monitoring Officer have statutory responsibilities. Chief Officers have responsibility for the development and maintenance of the internal control environment to ensure:

- The Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded
- Compliance with all applicable statutes and procedure rules, and other relevant statements of best practice

Key Controls

The key controls and objectives for internal control systems are:

- Key controls should be reviewed on a regular basis
- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- An effective internal audit function that is properly resourced

Responsibilities of the Chief Finance Officer

To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of the Chief Officers

- a) To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- b) To be responsible for having in place procedures to ensure that established controls are being adhered to and for evaluating their effectiveness. Chief Officers are required to periodically assess their systems of internal control to ensure that they are adequate to manage the risks associated with the service. They are also required to undertake such reviews when material changes are to be made either to structures or to working practices. This requirement applies equally to those arrangements in which the Council has a partnership relationship with a third party.
- c) Assess, at least once a year, the effectiveness of the systems of internal control, in line with current Accounts & Audit (Wales) Regulations.
- d) Provide appropriate information to the Corporate Governance Working Group to enable the Annual Governance Statement to be included within the financial statements, as required.
- e) Review existing controls in the light of changes affecting the Council and establish and implement new controls as necessary. Also remove controls that are unnecessary or not cost or risk effective – for example, because of duplication.

- f) Ensure that staff have a clear understanding of all procedures, and of the consequences of lack of control.

4.3 Audit Requirements – Internal Audit

Why is this important?

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972 and is required by the Accounts and Audit (Wales) Regulations 2005. The regulations state that 'a local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices'.

Internal audit is defined in the Public Sector Internal Audit Standards as:

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

Key Controls

The key controls for internal audit are:

- That it is independent in its planning and operation
- The Internal Audit Manager has direct access to the Head of Paid Services, the Monitoring Officer, External Audit and the Chair of the Audit Committee

Responsibilities of the Chief Finance Officer

To ensure that an effective Internal Audit function is resourced and maintained. Under Section 151 the local Council should 'make arrangements for the proper administration of their financial affairs'. Proper administration includes compliance with the statutory requirements for accounting and internal audit.

Responsibilities of the Chief Officers

Chief Officers will:

- (a) Ensure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

- (b) Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- (c) Consider and respond promptly to recommendations in audit reports.
- (d) Ensure that any agreed actions arising from audit recommendations are carried out timely and efficiently.
- (e) Ensure that whenever any matter arises which involves, or potentially involves, any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources, Internal Audit are notified and take any such other immediate action as considered necessary (subject to any Council rules and protocols).
- (f) Internal Audit shall notify the Chief Officer (Governance) where appropriate, and take such action by way of investigation and report, including informing and consulting with the relevant Chief Officer, Senior Manager (HR & OD), notifying the Head of Paid Service, the Police and/or the External Auditor, as considered appropriate. Pending investigations and reporting, the Chief Officer will follow the fraud response plan and will take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- (g) Where sufficient evidence exists to believe that a criminal offence may have been committed, Internal Audit will consult with the Chief Officer, Senior Manager (HR & OD) and the Monitoring Officer, together with the Head of Paid Service and determine whether to refer the matter to the Police. The Police will determine, with the Crown Prosecution Service, whether any prosecution will take place. Where fraud, theft, improper use or misappropriation of the Council's property or resources is proved, and the Council has suffered a financial loss, the Council will seek to recover the full value of any loss as outlined in the Corporate Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and Prosecution Policy.
- (h) Instigate the Council's disciplinary procedure when the outcome of an audit investigation indicates improper behaviour (by a member of staff), or indicates that a wider investigation is appropriate.
- (i) Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation, to ensure that control issues are fully considered and complied with.

4.4 Security of Assets

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture, and other items. It is important that assets are safeguarded and used efficiently in service delivery and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a pre-requisite for sound asset management.

Key Controls

The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- Resources are used only for the purposes of the Council and are properly accounted for
- Resources are available for use when required
- An asset register is maintained, assets are recorded when acquired and the record is updated following completion of condition surveys which are carried out on a cyclical planned basis
- All staff are aware of their responsibilities with regard to safeguarding the Council's assets and information including the requirements of the General Data Protection Regulation (GDPR) and software copyright legislation
- All staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and the compliance with the Council's computer and internet security policies

Responsibilities of the Chief Finance Officer

Ensure that an asset register is maintained in accordance with good practice for all fixed assets. The function of the asset register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively and adequately maintained.

To receive the information required for accounting, costing and financial records from each Chief Officer.

To ensure that assets are valued in accordance with the Code of Practice on Local Council Accounting in the United Kingdom (CIPFA/LASAAC).

Ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds.

Responsibilities of the Chief Officers

- a) Ensure that records and assets are properly maintained and securely held.
- b) The corporate property function resides within the Housing and Assets Portfolio, with property records maintained by Valuation and Estates Services in conjunction with Legal.
- c) The Chief Officer (Governance), in consultation with the Chief Officer (Housing and Assets), shall maintain a register of:
 - All lands and properties owned by the Council (with the exception of dwellings provided under the Housing Acts) in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference, purchase details, particulars of all interests, tenancies granted and rents receivable.
 - All lands and properties leased to the Council in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference and lease rental payment details.
- d) The Chief Officer (Housing & Assets) will arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer and, in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom* (CIPFA/LASAAC).
- e) The Legal Services Manager shall have custody of all title deeds and will put in place secure arrangements for this.
- f) The Chief Officer (Housing and Assets) shall maintain a record of all dwellings provided under the Housing Acts in a form agreed with the Chief Finance Officer.
- g) Chief Officers shall be responsible for maintaining proper security and confidentiality of all financial and related information in the Chief Officer's possession including complying with the requirements of the Council's Information Security Policy, General Data Protection Regulation (GDPR), the Computer Misuse Act and any subsequent legislation.

h) Chief Officers must ensure that:

- All staff are aware of their responsibilities with regard to safeguarding the Council's assets and the protection and confidentiality of information, whether held in manual or computerised records, including the requirements of GDPR and software copyright legislation
- All staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer, portable storage media acceptable usage, e-mail and internet security policies
- Arrangements are in place for the proper security and safe custody of all buildings, vehicles, equipment, furniture, stock, stores and other assets under their control
- Lessees and other prospective occupiers of Council land or buildings are not allowed to take possession or enter the land or building until a lease or legal agreement, in a form approved by the Chief Officer (Governance) in consultation with the Chief Finance Officer, has been established as appropriate
- Where land or buildings are surplus to requirements, a recommendation for sale is the subject of a report by the Chief Officer, or where action is taken under delegated powers this is reported to the Cabinet
- Each Chief Officer maintains a register of assets with a value of over £500 which are moveable or desirable assets. The register should list the asset, location recorded, and that they are appropriately marked and insured
- Cash holdings on premises are kept to a minimum and shall not exceed such limit as the Chief Finance Officer may prescribe, and that the arrangements for such cash holdings have been agreed with Internal Audit. Each Chief Officer must, in consultation with the Chief Finance Officer ensure safe and efficient cover for cash in transit
- Keys to safes and similar receptacles are carried in the possession of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible. All official keys of buildings, alarms and secure places shall be securely maintained at all times using a designated key tagging system by the individual responsible for their custody. If not held on the person of the individual responsible for their custody, they should be held under secure arrangements. The loss of any such keys shall be reported to the Chief Finance Officer immediately
- Assets are only used in the course of the Council's business, unless the Chief Officer concerned has given permission, in writing, for personal use by an employee
- Records are kept of the disposal or part-exchange of assets

- Inventories or other records are maintained, in a form approved by the Chief Finance Officer, of all vehicles, plant, equipment (including portable equipment such as FCC Laptops), machinery, protective clothing and such other items as the Chief Finance Officer may require for each location under the Chief Officer's control. Unless otherwise authorised in writing by the Chief Finance Officer, each inventory shall record, in respect of each item a brief description of the item, the serial number or other identifying mark (where applicable), particulars of acquisition (including details of ownership where applicable) and, in due course, particulars of disposal
- An annual check of all items on the inventory is carried out in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council
- There are arrangements for the care and custody of stocks and stores in the Portfolio. Each Chief Officer shall be responsible for the care and custody of all stocks and stores held in that Portfolio and shall account for their purchase, control, issue and return and disposal in a manner approved by the Chief Finance Officer
- Items shall be held in stock only where ready availability or where purchase in bulk is more economical than purchase of individual items, having due regard to the storage and administration costs associated with each method. Stocks shall not exceed the level required to meet reasonable anticipated needs or to obtain the benefits of bulk purchasing, except in special circumstances in consultation with the Chief Finance Officer
- Stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion, referring issues to Internal Audit, where appropriate
- The Chief Finance Officer shall receive from the appropriate Chief Officer such information relating to stocks as the Chief Finance Officer may require for accounting or costing purposes, and shall require the appropriate Chief Officer to conduct, by persons other than the storekeeper, a complete stock-take at intervals of not more than one year together with one interim stock check
- Sample checks are made of all actual stock holdings against recorded stock holdings. The checks should be such that all items of stock are included within the check at least once a year
- Discrepancies are investigated and written off as necessary

- i) Surplus, obsolete or defective items held in stock shall be disposed of at regular intervals not exceeding one year. Procedures for disposal of such stocks and equipment, including inventory items, should be by competitive quotations or auction, unless, following consultation with the Chief Finance Officer, the Cabinet decides otherwise in a particular case. Such write-offs or disposals will be reported to the Cabinet.
- j) When the Chief Officer considers it appropriate, the stock or inventory item may be offered to other Portfolio's or employees for the highest quotation received in a sealed bid process and competitive basis or disposed of by public auction. In each case officers should seek to achieve the highest amount of value for the Council, whichever method of disposal is appropriate. Disposal shall be certified in the stock records or inventory by the signature of the Chief Officer or other authorised Officer.
- k) The names of Officers authorised to certify such disposals shall be agreed with and notified to the Chief Finance Officer by each Chief Officer, who shall provide the Chief Finance Officer with the specimen signature and initials of each such authorised Officer and amendments as they may occur. Disposal of items by any other method shall be subject to prior written consent from the Chief Finance Officer.
- l) In the event that the Council decides to become involved in the commercial exploitation of intellectual property e.g. software development, the matter should be agreed by the Cabinet.
- m) Whenever, in case of eviction, re-possession or similar circumstances, the Council takes possession or custody of private moveable property, an itemised inventory shall be taken in the presence of two persons, one of whom shall be a Council Officer or representative, who both shall witness it as a correct record.
- n) Each Chief Officer shall be responsible for ensuring safe custody and maintaining adequate records of lost property found on premises for which that Chief Officer is responsible. Unclaimed items shall be disposed of by the Chief Officer under arrangements approved by the Chief Finance Officer.
- o) Each Chief Officer will ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property. The Senior Manager (HR & OD) will ensure that this is reflected in the Council's HR Policies.
- p) Ensure that income received for the disposal of an asset is properly banked and recorded.
- q) If any aspect of security is considered defective, or if special security arrangements are considered desirable, the Chief Officer concerned shall consult with the Chief Finance Officer with a view to remedial action.

4.5 Treasury Management

Why is this important?

The Council holds varying levels of surplus cash at certain points in the year representing income received in advance of expenditure plus balances and reserves held. The Council complies with CIPFA and WG guidance 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.

Key Controls

That the Council's borrowing and investments comply with the CIPFA Code: Treasury Management in Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition), Welsh Government (WG) guidance on local Council investments and the Council's Treasury Management Strategy.

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

Responsibilities of the Chief Finance Officer

- a) Ensure that the Council has an annual Treasury Management Strategy which fulfils the Council's legal obligation under the Local Government Act 2003 and to have regard to both the CIPFA code and the WG guidance.
- b) The Chief Finance Officer will operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Chief Finance Officer. Heads of Service will follow the instructions on banking issued by the Chief Finance Officer.
- c) The Chief Finance Officer will act as the Council's registrar of stocks, bonds and mortgages and maintain records of all borrowing of money by the Council.

Responsibilities of the Chief Officers

- a) Arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.

- b) Arrange where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and for the maintenance of written records of all transactions.
- c) Ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

4.6 Imprest Accounts

Responsibilities of the Chief Finance Officer

- a) Provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and prescribe rules for operating these accounts.
- b) Agree, in consultation with the relevant Chief Officer, the petty cash limit and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.
- c) Reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.
- d) Issue to Officers authorised to receive official money, such change floats as considered necessary, following consultation with the relevant Chief Officer, for the efficient performance of cash collection duties. Such a float shall not be used for any purpose other than the giving of change, and the Officer to whom it is issued shall be responsible at all times for its safe custody until such time as it is repaid to the Chief Finance Officer.
- e) The Chief Finance Officer may at any time require the authorised Officer to produce the float for inspection, to repay it or to sign a certificate of the amount held.
- f) Where considered appropriate the Chief Finance Officer shall open an account with the Council's bankers or other approved agency.

Responsibilities of the Chief Officers

Ensure that a business case is submitted to the Chief Finance Officer for any new Imprest Account. Payments shall be limited to minor items of expenditure up to a general individual limit of £50.

Ensure that employees operating an imprest account:

- (a) Obtain and retain receipts/invoices and vouchers to support each payment from the Imprest account. Where appropriate, an official receipted VAT invoice must be obtained in order to ensure the correct recovery of VAT as per Her Majesty's Revenue and Customs (HMRC) regulations.
- (b) Ensure reimbursement claims are signed by the claimant and one authorising signatory. Imprest controllers must ensure that two authorising signatories are obtained where there are no valid receipts/invoices to support the expenditure.
- (c) Make adequate arrangements for the safe custody of the account.
- (d) Produce upon demand by the Chief Finance Officer cash and all receipts/invoices and vouchers to the total value of the imprest amount.
- (e) Record transactions promptly.
- (f) Reconcile and balance the account at least monthly irrespective of the frequency of reimbursement claims. Reconciliation sheets are to be signed by the imprest holder and two authorising signatories and placed on file.
- (g) The Imprest holder shall not allow the account to become overdrawn. It shall be a standing instruction to the Council's bankers or approved agency that the amount of any overdrawn balance on a Petty Cash Imprest holder's bank account be reported to the Chief Finance Officer.
- (h) Provide the Chief Finance Officer with a certificate of the value of the imprest account/float at the date requested by the Chief Finance Officer.
- (i) Ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (j) Ensure that payments are never made to individuals, contractors, consultants, casual staff or self-employed persons. The exceptions are where incentive bonus payments are made to service users in Social Services Day Opportunities and payments are made to residents from deputyship monies. Payments can be made from petty cash and then coded appropriately to the correct budget. In the case of deputyship, this is then reclaimed from personal monies.
- (k) Where emergency loans are made to service users, Officers will comply with the Monitoring and Recovery of Loans Procedure.
- (l) On leaving the Council's employment or otherwise ceasing to be entitled to hold or be a signatory for an imprest account inform the Chief Finance Officer so that arrangements can be made to close the account or transfer to another authorised Officer.

4.7 Staffing

Why is this important?

In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable individuals, qualified to an appropriate level.

Key Controls

The key controls for staffing are:

- a) An appropriate workforce strategy and policy exists in which workforce requirements and budget allocations are matched.
- b) Procedures are in place for forecasting workforce requirements and cost.
- c) Controls are implemented that ensure that workers time is used efficiently and to the benefit of the Council.
- d) Checks are undertaken prior to engaging new employees to ensure that they are appropriately qualified, experienced and trustworthy.

The management of employee costs within schools is the responsibility of the Governing Body.

Responsibilities of the Chief Finance Officer

To act as an advisor on workforce related costs (e.g. pension contributions) as appropriate.

Responsibilities of the Chief Officers

The Senior Manager (HR & OD) will act as an advisor to a Chief Officer on Human Resources (HR) policies.

Chief Officers will:

- (a) Ensure that budget provision exists for all existing and new employees.
- (b) Monitor employee's activity to ensure adequate control over such costs as sickness, overtime, training and temporary workers.
- (c) Ensure that the staffing budgets are not exceeded without due authority and that they are managed to enable the agreed level of service to be provided.

- (d) When reporting to the Cabinet or Council on any matter which has, or is liable to have, people / HR implications, the Chief Officer shall, in consultation with the Chief Finance Officer and the Senior Manager (HR & OD), incorporate into the report both the people / HR and financial implications of the matter under discussion.
- (e) Maintain a register of interests, in which any hospitality or gifts accepted, must be recorded:
- In compliance with the Flintshire County Council Code of Conduct for Local Government Employees, no employee of the Council shall accept any fee, gift or reward which is intended as, or might be construed as, an inducement to influence that employee in the execution of that employee's duties
 - The offer of any such fee, gift or reward shall be reported immediately by the employee concerned to the appropriate Chief Officer, and shall be recorded in the register of gifts and hospitality

The Senior Manager (HR & OD) will ensure that this policy will be reflected in the HR Policies and other policies, as relevant, of the Council.

5. Financial Systems and Procedures

5.1 General

Why is this important?

The information held in financial systems must be accurate and the systems and procedures well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

Key Controls

The key controls for systems and procedures are:

- a) Basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated.
- b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis.
- c) Early warning is provided of deviations from target, plans and budgets that require management attention.

- d) Operating systems and procedures are secure.

Responsibilities of the Chief Finance Officer

To make arrangements for the proper administration of the Council's financial affairs, including to:

- a) Issue advice, guidance and procedures for officers and others acting on the Council's behalf.
- b) Determine the accounting systems, form of accounts and supporting financial records.
- c) Establish arrangements for audit of the Council's financial affairs.
- d) Approve any new financial systems to be introduced.
- e) Approve any changes to be made to existing financial systems.

Responsibilities of the Chief Officers

- a) To ensure that accounting records are properly maintained and held securely.
- b) To ensure that vouchers and documents with financial implications are not destroyed except in accordance with arrangements approved by the Chief Finance Officer.
- c) To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original documents and vice versa is maintained.
- d) To incorporate appropriate controls to ensure where relevant that all input is genuine, complete, accurate, timely and not previously processed. All processing is carried out in an accurate, complete and timely manner and output from the system is complete, accurate and timely.
- e) To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- f) To ensure there is a documented and tested disaster recovery plan to allow for information system processing to resume quickly in the event of an interruption.
- g) To ensure that systems are documented and staff trained in operations.
- h) To consult with the Chief Finance Officer before changing any existing system or introducing new systems.

- i) To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations and showing their authorised limits.
- j) To supply lists of authorised officers, with specimen signatures and delegated limits to the Chief Finance Officer and any subsequent variations.
- k) To ensure that where appropriate, computer systems are registered in accordance with current data protection legislation and that staff are aware of their responsibilities under the legislation. The law around data protection has changed, the General Data Protection Regulation (GDPR) now applies in the UK (from 25th May 2018) and has replaced the Data Protection Act (DPA).

5.2 Income and Expenditure

Why is this important?

Effective income collection systems are necessary to ensure that all income is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and avoids the time and cost of administering debts.

Key Controls

The key controls for income are:

- a) All income due to the Council is identified and charged correctly, in accordance with the Council's Income Generation Policy, which is regularly reviewed.
- b) All income is collected from the correct person at the right time using the correct procedures.
- c) All money received by an employee on behalf of the Council is paid without delay to the Chief Finance Officer or as he or she directs to the Council's bank account and properly recorded. The responsibility for cash collection should be separated from that of identifying the amount due and for reconciling the amount due to the amount received.
- d) Effective action is taken to pursue non-payment within defined timescales.
- e) Formal approval for debt write-off is obtained.

- f) Appropriate write-off action is taken within defined timescales.
- g) Appropriate accounting adjustments are made following write-off action.
- h) All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- i) Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.
- j) The Council's position on money laundering is contained within the Money Laundering Policy, which is available upon request from the Chief Finance Officer. Officers involved in the collection of income should make themselves aware of this policy and report suspected cases to the Chief Finance Officer. For this purpose, the Council cannot accept cash in excess of £5,000, although it is for individual officers to decide if, in specific instances, they should report incidents involving lesser amounts. In any situation requiring a sizeable refund the Officer involved should check the original type of lodgement.

Responsibilities of the Chief Finance Officer

- a) To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- b) To order, control and issue all receipts, invoices, tickets and other documents recording, acknowledging, or demanding the receipt of monies paid to the Council, except where the Chief Finance Officer has given written approval to alternative arrangements in specific instances.
- c) Agree the write-off of bad debts up to £5,000 in aggregate for each single domestic or business debtor, agree in consultation with the Cabinet Member the write-off of bad debts over those amounts but up to £25,000 and refer for approval items for write-off in excess of £25,000 to the Cabinet. A record of all sums written off up to the approved limit is maintained to adhere to the requirements of the Accounts and Audit Regulations
- d) Make or approve secure and efficient arrangements for the recording of all income received by direct debit, standing order, debit and credit cards and such other methods of payment as the Council may approve.
- e) To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of the Chief Officers

- a) To comply with the Income Generation Policy which has been established to support the provision of setting the Council's fees and charges, ensuring these operate at full cost recovery wherever possible and are subject to annual review and uplift.

- b) Where possible income should be obtained in advance of supplying goods or services to improve the Council's cash flow, to avoid the time and cost of administering debts, and to reduce the risk of non-collection, particularly for low value items.
- c) No Sundry debt invoices with a value of less than £40, with the exception of invoices relating to peppercorn rents, licenses or leases in connection with the occupation of council land or property, shall be raised without the approval of the Chief Finance Officer and supported by an application in writing.
- d) To separate the responsibility for identifying amounts due and the responsibility for collection.
- e) To initiate appropriate debt recovery procedures in accordance with the Corporate Debt policy.
- f) To issue official receipts or to maintain other documentation for income collection.
- g) To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- h) To lock away all income to safeguard against loss or theft and to ensure the security of cash handling.
- i) To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received.
- j) To ensure income is not used to cash personal cheques or other payments.
- k) To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the Council and to ensure accounts are sent out promptly. If possible all invoices should be raised within 5 working days of the provision of goods or services or at the earliest opportunity.
- l) Have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- m) To recommend to the Chief Finance Officer all debts to be written off and keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled except by full payment or by it being subject to formal writing off.

- n) Ensure that levels of cash held on the premises do not exceed approved limits.
- o) Keep a record of every transfer of cash between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy. Every transfer of cash shall be made direct by hand and not through the internal or external post (unless by prior approval from the Chief Finance Officer).
- p) To obtain the approval of the Chief Finance Officer when writing off debts in excess of the approved limit and the approval of Cabinet where required.

5.3 Ordering and paying for work, goods and services

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council has a statutory duty to achieve best value through economy and efficiency. The Council's procedures should help ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules.

General

Every officer and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council in accordance with the appropriate codes of conduct.

Official orders must be submitted in advance via the Purchase to Pay system (P2P). No retrospective orders should be placed. Official orders must be issued for all work, goods or services to be supplied to the Council except for petty cash purchases or other exceptions specified by the Chief Finance Officer.

Each order must conform to the guidelines approved by the full Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.

Apart from petty cash, schools own bank accounts and other payments in advance accounts, the normal method of payment from the Council shall be by BACS or other instrument or approved method drawn on the Council's bank account. The use of direct debit shall require the prior agreement of the Chief Finance Officer.

Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

Key Controls

The key controls for ordering and paying for work, goods and services are:

- a) All goods and services are ordered only by appropriate persons and are correctly recorded.
- b) All goods and services shall be ordered in accordance with the Council's Contract Procedure Rules.
- c) All orders are submitted via Purchase to Pay (P2P) and placed in advance of the relevant work, goods services or works being supplied.
- d) Goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order.
- e) Payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards.
- f) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- g) All appropriate evidence of transaction and payment documents are retained and stored for the defined period in accordance with the document retention schedule.
- h) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions corrected.
- i) The effect of electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.
- j) Purchases made using corporate credit cards:
 - Must be made in accordance with these Financial Procedure rules and requires the cardholder to obtain a valid receipt for each item purchased to ensure the expenditure and VAT can be properly accounted for
 - Must only be used for legitimate purposes and only for official Council purchases
 - Must not be used to circumvent the official procedures of ordering and procuring goods and services

Responsibilities of the Chief Finance Officer

- a) To ensure that all the Council's financial systems and procedures are sound and properly administered.
- b) All procurement activities (ordering of goods, services and works) will be undertaken on the Council's approved Purchase to Pay (P2P) system.

- c) To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- d) To approve the form of official orders and associated terms and conditions.
- e) To make payments from the Council's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial procedure rules.
- f) To make payments, whether or not provision exists within the estimates where the payment is specifically required by statute or is made under a court order.
- g) To make payments to contractors on the certificate of the appropriate Chief Officers which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- h) To provide advice and encouragement on making payments by the most economical means.
- i) To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into accounts in budget monitoring reports.
- j) To authorise the issue of corporate Credit cards together with the agreed spending limit.

Responsibilities of the Chief Officers

- a) To ensure that upfront electronic orders using the Purchase to Pay (P2P) system are placed for all goods and services other than petty cash purchases and any other exemptions specified by the Chief Finance Officer.
- b) To ensure that orders are only used for goods and services provided to the Portfolio. Individuals must not order goods or services for their private use.
- c) To ensure that only those staff authorised by the Chief Officer approve orders and to maintain an up to date list of such authorised staff including specimen signatures identifying in each case the limits of their authority. The list should be reviewed annually. Names of authorising Officers together with details of the limits of their authority shall be forwarded to the Chief Finance Officer and any subsequent amendments incorporated into the P2P system.

- d) The authoriser of the order should be satisfied that the goods and services ordered are appropriate and that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Council's approach to procurements. Value for money should always be achieved.
- e) To ensure that all expenditure, including VAT, is accurately recorded against the correct budget head and any exceptions are corrected. If it is deemed that a budget amount has been incorrectly allocated, a Chief Officer will request a journal adjustment. Under no circumstances will the expenditure be incorrectly coded in order to match the expenditure with an incorrect budget allocation.
- f) Each Chief Officer shall be responsible for all orders issued from, or on behalf of, his or her Portfolio. Where one Chief Officer places an order on behalf of another, that Chief Officer shall obtain the latter's consent in advance.
- g) To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should where possible be carried out by a different officer from the person who authorised the order.
- h) To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment confirming:
- Receipt of goods or services
 - That the invoice has not been previously paid
 - That expenditure has been properly incurred and is within budget provision
 - That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
 - Correct accounting treatment of tax
 - That discounts have been taken where available
 - That appropriate entries will be made in accounting records
- f) To ensure that two authorised members of staff are involved in the ordering, receiving and payment process and appropriate segregation of duties are maintained at each stage.
- g) To ensure that the Portfolio maintains and reviews periodically a list of staff approved to authorise the invoices. Names of authorising officers together with specimen signatures and details of the limits of their Council shall be forwarded to the Chief Finance Officer.
- h) To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice.
- i) To encourage suppliers of goods and services to receive payments by the most economical means for the Council. Payments made by direct debit must have the prior approval of the Chief Finance Officer.

- j) To ensure that the directorate obtains the best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality with regard to best value principles and Contract Procedure Rules.
- k) To ensure that loans, leasing or rental arrangements are not entered into without prior agreements from the Chief Finance Officer.
- l) To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.
- m) To notify the Chief Finance Officer immediately of any expenditure incurred as a result of statute/court order where there is no budgetary provision.
- n) To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the document retention schedule.
- o) For all staff issued with a Corporate Credit card, to ensure that they:
 - Comply with the Corporate Card Policy issued upon receipt of the Corporate Card
 - Ensure the safe custody of the card

5.4 Payments to employees and Members

Why is this important?

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is important that all Members' allowances are authorised in accordance with the scheme adopted by the full Council.

Key Controls

The key controls for payments to employees and Members are:

- a) Proper authorisation procedures are in place and that there are corporate timetables in relation to starters, leavers and variations to pay.
- b) Frequent reconciliation of payroll expenditure against approved budget and bank account.

- c) All appropriate payroll documents are retained and stored for the defined period in accordance with the retention schedule.
- d) Compliance with HMRC and other statutory regulations.
- e) All claims for payment of financial loss, attendance, travelling, subsistence and car allowances and other incidental expenses paid for by the claimant, shall be completed and signed by the claimant in a form approved by the Corporate Finance Manager or Senior Manager (HR & OD) as appropriate.
- f) The off-payroll (IR35) working rules are in place to ensure that where an individual would have been an employee if they were providing their services directly, their payments are processed via payroll.

Responsibilities of the Corporate Finance Manager

The Corporate Finance Manager or Senior Manager (HR & OD) as appropriate will:

- a) Arrange and control secure and reliable payment of salaries, pensions, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- b) Record and make arrangements for the accurate and timely payment to all appropriate statutory and non-statutory bodies including Pay as you Earn (PAYE), pensions and other payroll deductions.
- c) Make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- d) Make arrangements for paying Members' under the Members Allowances Scheme and the Members Travel and Subsistence Scheme, which will be maintained by the Corporate Finance Manager or Senior Manager (HR & OD) as appropriate.
- e) Ensure that there are adequate arrangements for administering pension scheme matters on a day-to-day basis.
- f) Maintain a list of all officers who are approved to authorise any payroll related records as notified by the relevant Chief Officer. This shall be reviewed on a regular basis. Chief Officers must communicate any changes as soon as they are known.

- g) Implement pay agreements as soon as possible after their notification from the appropriate body and process increments. Arrangements for funding such awards will be determined each year as part of the budgetary process.
- h) Retain for each employee, a copy of contracts and terms and engagements together with sufficient information to identify service, salary scale and current amount payable and absences from duty (apart from approved leave).

Responsibilities of the Chief Officers

- a) To provide the Senior Manager (HR & OD) in writing with the names of officers authorised to certify claims for expenses together with the specimen signature of each such authorised Officer, and any amendments on the occasion of any change. Certification of a claim by, or on behalf of, a Chief Officer shall signify that the certifying Officer is satisfied that the journeys were authorised, that the expenses were necessarily incurred in the performance of duty, that the allowances are properly payable by the Council, and that cost-effective travel arrangements are achieved.
- b) To ensure that claims are submitted to the Senior Manager (HR & OD) for payment within the specified timescale. Ensure appointments are made in accordance with the Procedure Rules of the Council and approved establishments, grades, scale of pay and that adequate budget provision is available.
- c) Notify the Senior Manager (HR & OD) of all appointments, terminations (resignations, dismissals) or variations (secondments, transfers, absences from duty through sickness or other reasons apart from approved leave, changes in remuneration, other than normal increments and pay awards and agreements of general application) which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Senior Manager (HR & OD) as appropriate.
- d) Ensure that adequate and effective systems and procedures are operated in a form approved by the Senior Manager (HR & OD), so that payments are only authorised to bona fide employees:
 - Payments are only made where there is a valid entitlement
 - Conditions and contracts of employment are correctly applied
 - Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness
- e) Provide information necessary to maintain records of service for pensions, income tax, national insurance or other statutory obligations.

- f) Ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Senior Manager (HR & OD).
- g) Ensure that the Senior Manager (HR & OD) is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- h) In conjunction with the Senior Manager (HR & OD), maintain an up to date establishment structure and adhere to the Establishment Control Maintenance Process.
- i) The Senior Manager (HR & OD) will be responsible for recovering payroll overpayments where the employee continues to have employment with the Council and where the overpayment is £750 or less. A repayment schedule, ensuring repayment is made within the same financial year as the overpayment, will be formally agreed with the employee.
- j) For all payroll overpayments in excess of £750, irrespective of employment status, recovery of the overpayment will be the responsibility of Debt Recovery, ensuring that such overpayments are included within the Council's total debt.
- k) All pay documents shall be, in a manner prescribed by the Senior Manager (HR & OD), certified manually by or on behalf of the appropriate Chief Officer. The names of Officers authorised to certify such documents shall be agreed with, and notified in writing to the Senior Manager (HR & OD) by each Chief Officer, who shall provide the Corporate Finance Manager with the specimen signature and initials of each such authorised Officer and any amendments on the occasion they arise.
- l) Chief Officers and the Senior Manager (HR & OD) will ensure that all appropriate payroll documents are retained and stored, as required, by the Senior Manager (HR & OD).
- m) No cheque made payable to a Member or employee will be cashed by the Council, unless it is under a scheme approved by the Corporate Finance Manager and is presented by the person named on the cheque, and duly endorsed.
- n) Members and employees will submit claims for travel and subsistence on a monthly basis and comply with the Mileage and Expenses Policy. Mileage and expense claims over three months old will only be paid once a satisfactory written explanation of the late submission has been provided from the relevant Service Manager to the Senior Manager (HR and OD).

- o) Timesheets, Employee Self Service and other documents which are used to generate payment of salaries or other employee related expenses must be on official forms or via authorised electronic inputs. Chief Officers are responsible for ensuring that they are certified by an authorised Certifying Officer.

5.5 Taxation

Why is this important?

The Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important that all officers are made aware of their role.

Key Controls

The key controls for taxation are:

- a) Budget managers are provided with the relevant information and kept up to date on tax issues.
- b) Budget managers are instructed on required record keeping.
- c) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- d) Records are maintained in accordance with instructions.
- e) Returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of the Chief Finance Officer

- a) The Chief Finance Officer and / Senior Manger HR & OD (as appropriate as described below) is responsible for advising Chief Officers and Heads of Service, on all taxation issues that affect the Council.
- b) The Chief Finance Officer or Senior Manger HR & OD as appropriate is responsible for maintaining the Council's tax records, making tax payments, receiving tax credits and submitting tax returns by their due date.
- c) Complete a monthly return of Value Added Tax (VAT) inputs and outputs to HMRC.

- d) Be responsible for accounting to the appropriate agency for other forms of taxation payable to or by the Council and for supplying to such agencies such other information as they may validly require.
- e) Provide details to HMRC regarding the construction industry tax deduction scheme.
- f) Maintain up-to-date guidance for each Chief Officer on their responsibilities in regard to any taxation matters, and to individual Council employees on taxation issues.
- g) The Senior Manger (HR & OD), with guidance from the Chief Finance Officer, will:
- Account to HMRC for all tax deducted from employees' emoluments under the PAYE arrangements
 - Maintain up-to-date guidance for Chief Officers on their responsibilities in regard to taxation matters relating to Payroll, and inform Council employees of taxation issues arising within Payroll
- h) The Chief Finance Officer or Senior Manger (HR & OD) as appropriate may require from any employee of the Council such information as is necessary for fulfilment of their obligation under this Financial Procedure Rule.

Responsibilities of the Chief Officers

- (a) Ensure that for any purchase which is taxable under current VAT legislation, payment will only be made on receipt of a proper invoice complying with the VAT regulations. The only exceptions are where an invoice is properly issued by the supplier on receipt of payment or where the use of authenticated VAT receipts has been agreed with the supplier.
- (b) Ensure that the correct VAT liability is attributed to all income due and that the recovery of VAT on purchases, including those paid for via an imprest account or corporate card, complies with HMRC Customs regulations.
- (c) Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- (d) Ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- (e) Follow the guidance on taxation issued by the Senior Manger (HR & OD) such as the "Tax Management: Corporate Policy Statement"; in the "VAT Manual" and in taxation updates issued periodically.

- (f) Seek advice from the Chief Finance Officer or Senior Manager (HR & OD) as appropriate on VAT, or other tax implications, when entering into partnerships and other joint working arrangements.

5.6 Trading Accounts and Business Units

Why is this important?

Trading accounts and business units will become more important as services develop a more commercial culture. Authorities are required to keep trading accounts for services provided on a basis other than a straightforward recharge of cost.

Where services are provided via an 'Alternative Delivery Model' (separate legal entities), specific financial procedures will be incorporated into the individual models.

Responsibilities of the Chief Finance Officer

To advise on the establishment and operation of trading accounts and business units.

Responsibilities of the Chief Officers

- a) To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract exceeds the remaining life of their main contract with the Council.
- b) To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs is charged to produce an annual report in support of the final accounts.
- c) To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- d) To ensure that each business unit prepares an annual business plan.

6. External Arrangements

6.1 Partnerships

Why is this important?

Partnerships play a key role in delivering community strategies and in helping to promote and improve the well-being of an area. The Council can still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders and deliver a shared vision of services based on user wishes.

Key Controls

The key controls for Council partners are:

- a) If appropriate to be aware of their responsibilities under the Council's financial regulations and contract standing orders.
- b) To ensure that risk management processes are in place to identify and assess all known risks.
- c) To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- d) To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.
- e) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

General

- a) Both the Council and the Cabinet are responsible for approving delegations, including frameworks for partnerships and joint ventures. The Cabinet is the focus for forming partnerships and joint ventures with other local public, private, voluntary and community sector organisations to address local needs.
- b) Both the Council and the Cabinet can delegate functions – including those relating to partnerships – to Officers. These are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated the Officers remain accountable for them to the Council and the Cabinet as appropriate.

c) The Head of Paid Service or other nominated Officers will represent the Council on partnerships and external bodies, in accordance with decisions of the Council/Cabinet or otherwise as authorised by the Head of Paid Service.

Responsibilities of the Chief Finance Officer

a) Be responsible (with the Monitoring Officer) for encouraging the same high standards of conduct (with regard to financial administration and other matters, respectively) in partnerships and joint ventures that apply throughout the Council insofar as the constitutions of respective organisations permit them to do so.

b) Ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are appropriate. He or she, in consultation with the Monitoring Officer, must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies, ensuring that the risks have been fully appraised before agreements are entered into.

c) Advise on the key elements of funding a project, including:

- An options appraisal scheme for financial viability
- Risk appraisal and management
- Resourcing, including taxation and pension issues
- Audit, security and control requirements
- Carry-forward arrangements

d) Ensure that the accounting arrangements are appropriate.

Responsibilities of the Chief Officers

a) To be responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies. (The Monitoring Officer will advise on legal matters).

b) Maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.

- c) Ensure that, before entering into agreements with external bodies, a risk management and options appraisal has been prepared for the Cabinet, in consultation with the Chief Finance Officer and Monitoring Officer.
- d) Ensure that all agreements and arrangements are properly documented.
- e) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Council's Statement of Accounts concerning material items.
- f) Ensure that the project progresses in accordance with the agreed plan and that all expenditure is properly incurred and recorded.

- g) Ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the Chief Finance Officer.

- h) Seek advice from the Chief Finance Officer or Senior Manager (HR & OD) as appropriate on VAT, or other tax implications, when entering into partnerships.

6.2 External Funding including Grants

Why is this important?

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers.

Key Controls

The key controls for external funding are:

- a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- b) To ensure that funds are acquired only to meet the priorities approved in the policy framework by the full council.

- c) To ensure that any match funding requirements are given due consideration prior to entering into long term agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

- (a) Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- (b) Ensure that all grant income and associated information is logged on the Corporate Grants Database and adhere to the requirements of the Grant Manual.
- (c) Ensure that audit requirements are met.
- (d) Ensure that match funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Officers

- a) Ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- b) Ensure that funds are acquired only to meet the priorities approved by the Council in the policy framework.
- c) Ensure that any match-funding requirements are given due consideration and that future revenue budgets reflect these requirements, before entering into long-term agreements.
- d) Ensure that all claims for funds are made by the due date.

- e) Ensure that proposals are costed properly and that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- f) Ensure that contracts are drawn up and maintain a register of all contracts entered into with third parties.
- g) Ensure that appropriate insurance arrangements are made, via the Chief Finance Officer.
- h) Ensure that, as far as possible, the Council is not put at risk from any bad debts.
- i) Ensure that no contract is subsidised by the Council.
- j) Ensure that such contracts do not impact adversely upon the services provided for the Council.

- k) Have in place an exit strategy to implement when the funding ceases. This strategy must allow for all costs associated with the winding up, including any costs arising because staff have gained employment rights, being met from within the externally provided monies and, therefore, at no additional cost to the Council. If the terms of the external funding do not allow such costs to be met from it, then they must be met from within the base budget of the Portfolio concerned.
- l) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.
- m) Ensure that all grant income is coded, in the first instance, to the appropriate balance sheet code in order to avoid double counting the overall income and expenditure of the Council.

Other Funds

Why is this important?

The Council will not as a general rule supervise the financial administration of, nor audit, unofficial funds, and accepts no liability whatsoever for any loss however caused. Unofficial funds are defined as those which are not the property of the Council, for example school monies collected by schools for school trips and monies held in Amenities Funds in Social Services establishments. Those operating such funds, therefore, have an overall responsibility to ensure that proper financial stewardship is observed.

Key Controls

- (a) A Treasurer and independent auditor are formally appointed.
- (b) Proper rules are operated to secure adequate standards.
- (c) Adequate records and procedures are maintained.
- (d) Regular reports on fund transactions and balances are received and checked against bank statements.
- (e) Annual statements of income and expenditure and fund balances are prepared and audited on a timely basis.

General

The School Fund Regulations, 2013 must be followed for the operation of all school funds in Flintshire Schools and ensure that funds are only used for the purpose that they are intended for as per the regulations.

Responsibilities of the Chief Finance Officer

Prepare the note to be entered into the Statement of Accounts

Responsibilities of the Chief Officers

Those operating or intending to operate unofficial funds are also required to:

- (a) Notify the Chief Finance Officer of details of the fund as soon as it is set up.
- (b) Provide an independent audit certificate for the fund on an annual basis.
- (c) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.

Protection of Clients Assets

Why is this important?

Where the Council is appointed as a Deputy for a Client by the Office of the Public Guardian (OPG), the Chief Officer will ensure that all OPG regulations and guidelines are complied with.

Where the Council is approved by the Department for Work and Pensions (DWP) to act as a Corporate Appointee for a Client, Chief Officers will ensure that all guidelines provided by the DWP are complied with.

Key Controls

Responsibilities of the Chief Officers

Heads of Service will ensure that a separate bank account is arranged for each Client, with the bank account reconciled on a regular basis, at least monthly.

Every transfer of clients monies from one Officer to another shall be recorded immediately in a manner approved by the Chief Finance Officer and shall be evidenced by the signature of the receiving Officer.

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Appendix 2

Flintshire County Council

Financial Procedure Rules

1

Revised 2020

Contents

1. Status of Financial Regulations
2. Financial Management – General Roles and Responsibilities
3. Financial Planning
4. Risk Management and Control of Resources
5. Financial Systems and Procedures
6. External Arrangements

1. Status of Financial Regulations

1.1 What are Financial Procedure Rules?

1.1.1 Financial Procedures provide the framework for managing the [Authority Council](#)'s financial affairs. They apply to every member and officer of the [authority Council](#) and anyone acting on its behalf.

1.1.2 The procedures identify the financial responsibilities of the full Council, the Cabinet and officers.

1.1.3 Where there are references to the Chief Executive and Chief Officer the responsibility is as follows:

The Chief Executive as Head of Paid Service at a strategic level provides oversight, coordination and direction across the organisation and ensures the Chief Officer Team work collectively.

Chief Officers are accountable at a strategic and operational level for resource management, performance management and delivery of services for the Portfolio for which they have responsibility.

In addition, the Council holds the following statutory posts:

The Head of Paid Service is the Chief Executive

The Chief Finance Officer is the Corporate Finance Manager

The Chief Education Officer is the Chief Officer (Education and Youth)

The Monitoring Officer is the Chief Officer (Governance)

[The Chief Officer Social Services](#)

[Democratic Services Manager](#)

1.1.4 These Financial Procedure Rules are part of the [Authority Council](#)'s Rules of Procedure. They must be read in conjunction with the rest of the Constitution, of which they form part, including the Contract Procedure Rules.

1.1.5 These Financial Procedure Rules and other regulatory rules apply to the Clwyd Pension Fund except where separate legislation exists, e.g. Local Government Investment Regulations.

1.2 Why are they important?

1.2.1 To conduct its business effectively, the [Authority Council](#) needs to ensure that sound financial management arrangements are in place and that they are strictly adhered to in practice. Part of this process is the establishment of Financial Procedures which set out the financial responsibilities of the [Authority Council](#). These procedures have been devised as a control to help the [Authority Council](#) manage its financial matters properly in compliance with all necessary requirements.

1.2.2 Good, sound financial management is a key element of the [Authority Council](#)'s Corporate Governance framework which helps to ensure that the [Authority Council](#) is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

1.2.3 Good financial management secures value for money, controls spending, ensures due probity of transactions and allows decisions to be informed by accurate accounting information.

1.2.4 Good financial management requires secure and reliable records and systems to process transactions and information and substantiate the effective use of public money.

1.2.5 Financial Procedures should not be seen in isolation, but rather as part of the overall regulatory framework of the [Authority Council](#) as set out in the Council's Constitution.

1.3 Who do Financial Procedures apply to?

1.3.1 Financial Procedures apply to every member and officer of the [Authority Council](#) and anyone acting on its behalf. Members and officers have a general responsibility for taking reasonable action to provide for the security and use of the resources and assets under their control, and for ensuring that the use of such resources and assets is legal, ~~is~~ consistent with [Authority Council](#) policies and priorities, ~~and~~ is properly ~~a~~ Authorised, provides value for money and achieves best value.

1.3.2 Separate financial procedures have been incorporated into the [Authority Council](#)'s Scheme for Financing of Schools and relate to those matters where decisions have been delegated to school governing bodies.

1.3.3. These Financial Procedures shall apply in relation to any partnership for which the Council is the accountable body, unless the Council expressly agrees otherwise. Where services are provided via an 'Alternative Delivery Model', specific financial procedures will be incorporated into the individual models.

1.3.4 Failure to observe Financial Procedures may result in action under the [Authority Council](#)'s disciplinary procedures.

1.4 Who is responsible for ensuring that they are applied?

1.4.1 The Chief Executive and Chief Officers are ultimately responsible to the Council for ensuring that Financial Procedures are applied and observed by his/her staff and contractors providing services on the [Authority Council](#)'s behalf and for reporting to the Chief Finance Officer any known or suspected breaches of the procedures.

1.4.2 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedures and submitting any additions or changes necessary to the Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedures to the Council and/or to the Members.

1.4.3 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Procedures which Members, Chief Executive and Chief Officers and others acting on behalf of the [Authority Council](#) are required to follow.

1.4.4 Where any Officer considers that complying with Financial Procedures in a particular situation might conflict with the achievement of value for money or the principles of Best Value or the best interests of the [Local Authority Council](#), he/she shall raise the issue with the Chief Finance Officer who will, if he/she considers necessary and appropriate, seek formal approval from the Council for a specific waiver of the procedures, or an amendment to the procedures themselves.

2. Financial Management – General Roles and Responsibilities

The Role of the Full Council

2.1.1. The Council has a duty towards its Council Tax payers [and Non Domestic Ratepayers](#) with regard to financial decisions and their consequences. The full Council is responsible for adopting the Council's Constitution and Members' Code of Conduct and for approving the budget and policy framework within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the [authorityCouncil](#)'s overall framework of accountability and control. The full Council is also responsible for monitoring compliance with policies and related Cabinet decisions.

2.2 The Role of the Cabinet

2.2.1 The Cabinet (as the Council's Executive) is responsible for proposing the Budget and Policy Framework to full Council, and for discharging executive functions in accordance with the Budget and Policy Framework.

2.3 The Role of the Chief Finance Officer

2.3.1 The Chief Finance Officer is accountable to the Chief Executive and the Council and has statutory duties that provide overall responsibility for the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. These statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations (Wales) Regulations currently in force

2.3.2 The Chief Finance Officer among other functions is responsible for;

- a) The proper administration of the Council's financial affairs.
- b) Setting and monitoring compliance with financial management standards.
- c) Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
- d) Advising on all matters which affect, or potentially affect, the finances or financial administration of the Council.
- e) Providing financial information.
- f) Making recommendations to the Cabinet and Council for the preparation of the revenue budget and capital programme.
- g) Preparing the approved revenue budget and capital programme.
- h) Treasury management.

The Chief Executive and Chief Officers are responsible for promoting the financial management standards set by the Chief Finance Officer in their portfolio and monitoring adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to every Member of the Cabinet or the Council as appropriate and to the External Auditor, if the Council, a Committee or Officer of the [Authority Council](#), or a Joint Committee on which the Council is represented:

- Has made, or is about to make, a decision which involves or would involve the Council incurring expenditure which is unlawful.
- Has taken, or is about to take, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the Council.
- Is about to make an unlawful entry in the Council's accounts.

The Chief Finance Officer must consult with the Head of Paid Service and the Monitoring Officer when preparing any report under Section 114.

The Chief Finance Officer shall make a report under this Section if it appears to him or her that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she is unable to perform the duties under Section 114 personally, due to absence or illness.
- The Council to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.
(All references to a Committee (joint or otherwise) include Sub-Committees).

Where a report has been issued by the Chief Finance Officer under Section 114 of the Local Government Finance Act 1988, the Council and the ~~Local Authority~~Council's Head of ~~the~~ Paid Service shall then follow the requirements of Sections 115 and 116 of the said Act.

2.4 The Role of Chief Officers

2.4.1 Chief Officers are each accountable to the Council for the financial ~~m~~Management and administration of those services and activities allocated to them in accordance with Council policy.

2.4.2 Chief Officers are responsible for:

- a) Ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions and the management of activities, having regard to advice and guidance from the Chief Finance Officer.
- b) Ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.
- c) Consulting with the Chief Finance Officer in seeking approval regarding any matters which may affect the Council's finances materially, before any commitments are incurred.
- d) Consulting with each other on any issue with corporate financial implications before submitting policy options or recommendations to Members.

3. Financial Planning

3.1 Strategic Planning

Why is this important?

Planning is a continuous process and is a fundamental tool in the management and control of the [Authority Council](#). The Local [Authority Council](#) has a statutory responsibility to produce various plans. Financial planning is a key part of this process, setting out the financial consequences of the actions planned to meet the objectives and targets set within the plan.

Key Controls

- Ensure that all relevant plans are produced and that they are consistent with Corporate objectives
- Produce plans in accordance with statutory requirements
- Meet the timetables set
- Ensure that all performance information is accurate, complete and up to date
- Provide improvement targets that are meaningful, realistic and challenging

Responsibilities of the Chief Finance Officer

- a) To advise and supply the financial information that needs to be included in plans in accordance with the statutory requirements and agreed timetables
- b) To contribute to the development of corporate and service targets and objectives and performance information

- c) To ensure that performance information is monitored frequently to allow corrective action to be taken if targets are not likely to be met

Responsibilities of the Chief Officers

- a) To contribute to the development of plans in line with statutory requirements
- b) To contribute to the development of corporate and service targets and objectives and performance information.

3.2 Budgets and Medium Term Planning

Why is this important?

The [Local Authority Council](#) is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively to enable scarce resources to be allocated in accordance with the Council's priorities.

Flintshire's Medium Term Financial Strategy (MTFS) provides a framework for the financial principles through which revenue and capital resources will be forecast, organised and managed to deliver the [Authority Council](#)'s vision and strategic objectives.

The MTFS uses detailed intelligence led forecasting to estimate available resources, investment needs linked to the [Authority's](#) Council Plan and priorities, demand and externally led cost pressures and opportunities for efficiencies / savings for both revenue services and the capital programme over the medium term. The MTFS enables the gap between forecast funding levels and resource requirements to be identified over the medium term.

Detailed work is undertaken on an annual basis by ~~Corporate the~~ Finance Team, in conjunction with the Chief Executive and Chief Officer Team to build on the MTFS to enable a balanced revenue budget and capital programme which is approved by [Authority Council](#) for the following financial year.

Responsibilities of the Chief Finance Officer

- a) To prepare and submit reports on budget prospects for the Cabinet including resource constraints set by the Welsh Government
- b) To determine the detailed form of revenue estimates after consultation with the Cabinet, Chief Executive and Chief Officers
- c) To prepare and submit forecasting reports to the Cabinet on the aggregate spending plans and resources available to fund them.
- d) To advise on the medium term implications of spending decisions and prepare forecasts.
- e) To encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness
- f) To advise the [Authority Council](#) on proposals in accordance with responsibilities under [Section 151](#) of the Local Government Act 1972

Responsibilities of the Chief Officers

- a) To integrate financial and budget plans into service planning so that budget plans can be supported by financial and ~~non-financial~~ non-financial performance measures
- b) To encourage the best use of resources and value for money by working with the Chief Finance Officer to identify opportunities to improve economy, efficiency and effectiveness.

3.3 Budgeting

3.3.1 Revenue Budget

Why is this important?

Budgetary control and monitoring procedures ensure that once the budget has been formally approved by the County Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the [authority Council](#) to review and adjust its budget targets during the financial year.

By continuously identifying and explaining variances against budgetary targets, the [authority Council](#) can identify changes in trends and resource requirements at the earliest opportunity.

Key Controls

The key controls for managing and controlling the revenue budget are:

- Budget managers should be responsible only for income and expenditure that they can influence
- There is a nominated budget manager for each cost centre heading and the responsibilities for budgetary control are clearly defined.
- Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- Budget managers follow an approved certification process for all expenditure
- Income and expenditure are properly recorded and accounted for
- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.
- An annual cycle is established to ensure budgets are promptly prepared

Responsibilities of the Chief Finance Officer

To ensure an appropriate framework of budgetary management and control that ensures that:

- a) A revenue budget is prepared on an annual basis, together with a revenue projection over the medium term, for consideration by the Cabinet, which will make recommendations to the Council. The Council is responsible for the approval of the revenue budget.
- b) A resource allocation process is developed and maintained for consideration by Members at each stage of the revenue budget process
- c) The revenue budget includes the proposed level of unallocated Council Fund reserves, proposed taxation levels and the proposed budgets for each Chief Officer and for central and corporate budget heads.
- d) Each Chief Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- e) Expenditure is committed only against an approved budget head

- f) Significant variances from approved budgets are investigated and reported by budget managers on a regular and timely basis.

Responsibilities of the Chief Officers

- a) To maintain budgetary control within their departments and ensure that all income and expenditure are properly recorded and accounted for.
- b) To ensure that an accountable budget manager is identified for each area of income and expenditure under the control of the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision making that commits expenditure
- c) Ensure that Managers and all staff understand their financial responsibilities.
- d) Ensure that budget managers follow the monthly budget monitoring procedures when using Collaborative Planning (CP) system.
- e) To prepare annual service plans linked to the Council Plan identifying any budgetary implications for inclusion in the Medium Term Financial Plan for Member consideration.
- f) To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast. Variances in excess of £50k should be reported with an explanation to the Chief Finance Officer.
- g) Prepare budget action plans where a significant overspend is forecast. The action plan should identify how expenditure will be brought back into line with budget, either by taking corrective action, or through the proposed use of compensating savings elsewhere in their budget.
- h) Report areas of forecast under spend, along with the implications for future years, for corporate consideration of where any available resources should be re-allocated. The use of budget savings other than in accordance with the approved budget is not permitted without Cabinet approval.
- i) Consult with the Chief Finance Officer and seek advice on further action to be taken before any commitments are incurred, where these are not covered by the Council's approved budget.
- j) Report significant variations from budget to the Chief Finance Officer, who will report the position and any budget actions plans in the overall budget monitoring report to Cabinet. In certain circumstances it may be that the significance of the variance requires a separate report to Cabinet for consideration or approval. The report will outline the reasons for the projected

variance, the implications for future years' budgets, along with the budget action plan to bring expenditure in line with the budget.

- k) Budget action plans will be monitored by the relevant Chief Officer who will notify the Chief Finance Officer should it emerge that a budget action plan will fail to prevent an overspend. The Chief Finance Officer will report the position to Cabinet.
- l) In exceptional cases submit reports to the Cabinet and to the [Authority Council](#), in consultation with Chief Finance Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control, requesting a supplementary budget allocation for the current financial year only.
- m) Nothing in the Financial Procedure Rules shall prevent expenditure being incurred which is essential to meet any immediate needs arising from an emergency, including any expenditure under Section 155 of the Local Government and Housing Act 1989 (Emergency Financial Assistance Scheme, formerly known as the "Belwin" scheme). Such action shall only be taken after consultation with the Chief Finance Officer, and any such expenditure must be reported retrospectively to the Cabinet, and the funding for such expenditure must be agreed as soon as possible.
- n) To ensure compliance with the scheme of virement.

3.3.2 Budget Virements/Accounting Adjustments

Why is this important?

Transfers between budgets is an integral and important feature of budgetary control for an organisation to ensure sound financial management.

In general terms there are two main types of budget transfers:-

1. Accounting Adjustments – this is where it is necessary to transfer a budget from one place to another to account properly for the relevant expenditure or income but where the approved purpose of that expenditure/income does not change from that approved by County Council. An example of this is the allocation of energy inflation which is held centrally and allocated to portfolio areas based on evidenced need.
2. Formal Virements – this is where there is an intended action to transfer budget from one place to another that does change the purpose of the expenditure/income approved by County Council. An example of this would be the transfer of an amount from Adult Social Services to Children's Social Services to deal with a pressure in the Children's Services area.

The Key Principles underpinning the control of budget transfers are as follows:

- Where Budget transfers relate to a change of use or policy they should be authorised and there should be formal evidence of this.
- Transferring budgets simply to minimise variances are specifically precluded.
- Where an approved budget is a lump sum provision or contingency intended for allocation during the year, its allocation will not be treated as a virement provided the amount is used in accordance with the purposes for which it was originally intended, or if Cabinet has approved the basis on which it will be allocated.

Formal Virements in excess of £100,000 (this includes cumulative amounts over £100,000) should be submitted to Cabinet for Approval.

- Where there are policy implications for the Council which require a budget virement, Cabinet approval must be obtained.

Overall control of budget transfers is undertaken within the ~~Strategy, Accounting and Systems~~ Strategy and Insurance team which tracks the movements ~~as part of the budget monitoring process~~ and also ensures that any virements that change the purpose of the funding are subject to the relevant approval.

The Corporate Finance Manager as Section 151 ~~officer~~ Officer for the Council has a legal responsibility to ensure the proper management of the Council's financial affairs and is content that the rules and procedures in place governing the virement of budget are adequate.

Key Controls

- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget
- Notification of virements should be given to the Chief Finance Officer and approved

Responsibilities of the Chief Finance Officer

- a) Ensure that budget virements in excess of £100,000 (cumulative) are submitted to Cabinet for approval.
- b) Where there are policy implications for the Council ensure that Cabinet approval is obtained where it is proposed to vire between budgets of different Cabinet Portfolio holders or vire between budgets managed by different Chief Officers.

a/c) _____ Where there are implications to the policy framework submit a joint report with the relevant Chief Officer.

Responsibilities of the Chief Officers

a) To ensure compliance with the scheme of virement.

a/b) _____ To agree with the relevant Chief Officer where it appears that a virement proposal may impact materially on another service area.

3.4 Capital Programmes

Why is this important?

Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the [authorityCouncil](#) such as land, buildings and major items of plant, equipment and vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

Key Controls

The key controls for capital programmes are:

- Specific approval by the County Council for the programme of capital expenditure
- Expenditure on capital schemes is subject to the approval of the Chief Officer
- A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project
- Accountability for each proposal is accepted by a named manager
- Monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Chief Finance Officer

a) To prepare capital estimates jointly with Chief Officers to report them to the Cabinet for approval which will make recommendations to the Council.

b) To be responsible for the monitoring of the capital programme in conjunction with the Chief Officer [for Organisational Change\(Housing and Assets\)](#).

- c) To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates on a quarterly basis. The report will identify changes in capital resources, including the generation of capital receipts and the effect of carry forward together with quantifying contractually uncommitted values by scheme.
- d) To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the specified amount.
- e) To ensure that whole schemes, or distinct parts thereof, which are identified as slipping into the following financial year, shall be included in the Capital Programme assessments for the later year.
- f) Ensure that the approved Capital Programme includes information on grant funded schemes if appropriate.

Responsibilities of the Chief Officers

- a) To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer
- b) To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.
- c) To prepare regular reports reviewing the capital programme provisions for their services
- d) To ensure that adequate records are maintained for all capital contracts
- e) To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- f) To ensure that credit agreements such as leasing agreements are not entered into without the agreement of the Chief Finance Officer (via the Treasury Management Team) and if applicable approval of the scheme through the capital programme.
- g) To ensure that for the purchase of all items which are not brand new that a Hire Purchase Information (HPI) check has been undertaken to ensure that there is no outstanding finance.

3.5 Maintenance of Reserves

Why is this important?

The ~~Council~~~~local authority~~ must decide the general level of reserves it wishes to maintain before it can decide the level of Council tax. Reserves are maintained as a matter of prudence. They enable the ~~authority~~Council to provide for unexpected events and therefore protect it from overspending should such events occur. Reserves for specific purposes may also be maintained such as the purchase or renewal of capital items.

Key Controls

To maintain reserves in accordance with the CIPFA Code of Practice and agreed accounting policies.

The Councils Reserves protocol must be adhered to by all officers to ensure the controls governing reserves are followed.

Responsibilities of the Chief Finance Officer

To advise the Cabinet and/or the full Council on prudent levels of reserves for the ~~authority~~Council and to provide an annual statement as to the adequacy of the level of reserves held.

Responsibilities of the Chief Officers

To ensure that resources are used only for the purposes for which they were intended.
To ensure the Reserves Protocol is followed.

4. Risk Management and Control of Resources

4.1 Risk Management

Why is this important?

The ~~Local Authority~~Council, like any organisation, faces risks to people, property and continued business operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the ~~Authority~~Council and ensure the continued financial and organisation ~~well-being~~well-being of the ~~organisation~~Council. Risk management is concerned with evaluating the measures the ~~Authority~~Council has in place to manage identified risks and

recommending the course of action the organisation needs to take to control these risks effectively.

Risk Management is an integral part of the Council's Governance Framework and Internal Control. The Council has a Risk Management Strategy which outlines how the [Authority Council](#) manages risk corporately.

Key Controls

The key controls for risk management are:

- Procedures are in place to identify, assess, prevent or contain material known risks
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- Managers know that they are responsible for managing relevant risk and are provided with relevant information
- Provision is made for losses that might result from the risks that remain
- Procedures are in place to investigate claims within required timescales
- Acceptable levels of risk are determined and insured against where appropriate
- Business Continuity Plans are in place.

Responsibilities of the Chief Finance Officer

- a) To develop and implement risk management controls in conjunction with Chief Officers.
- b) To include all appropriate employees of the [authority Council](#) in a suitable [Fidelity Guarantee insurance policy](#).
- c) To effect corporate insurance cover, [for all relevant and identified risks](#), through external insurance and internal funding and negotiate all claims in consultation with other officers.
- d) [In consultation with other officers if applicable, to negotiate all claims with a view to minimising both financial and reputational loss.](#)

Responsibilities of the Chief Officers

- a) To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the [authority Council](#), [and to respond promptly](#)

~~together~~ with any information or explanation required by the Chief Finance Officer for the [Authority Council](#)'s insurers.

- b) To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers e.g. health and safety.
- c) To implement the Risk Management Strategy and ensure a regular review of risks within the service they manage.
- d) To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- e) To ensure that employees or anyone covered by the [Authority Council](#)'s insurances do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- f) To ensure Business Continuity plans are in place and regularly reviewed.
- g) To ensure that no insurance policies are taken out without first consulting with the Chief Finance Officer.

4.2 Internal Controls

Why is this important?

Overall responsibility for the control environment rests with the [Authority Council](#) as a whole. The Chief Officer Team is responsible for overseeing and monitoring the control environment.

Monitoring of compliance with policies, procedures, laws and regulations is undertaken by relevant key officers. The Chief Finance Officer and Monitoring Officer have statutory responsibilities. Chief Officers have responsibility for the development and maintenance of the internal control environment to ensure:

- The [Authority Council](#)'s objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the [Authority Council](#)'s assets and interests are safeguarded.
- Compliance with all applicable statutes and procedure rules, and other relevant statements of best practice.

Key Controls

The key controls and objectives for internal control systems are:

- Key controls should be reviewed on a regular basis
- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- An effective internal audit function that is properly resourced.

Responsibilities of the Chief Finance Officer

To assist the [authorityCouncil](#) to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of the Chief Officers

- To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- To be responsible for having in place procedures to ensure that established controls are being adhered to and for evaluating their effectiveness. Chief Officers are required to periodically assess their systems of internal control to ensure that they are adequate to manage the risks associated with the service. They are also required to undertake such reviews when material changes are to be made either to structures or to working practices. This requirement applies equally to those arrangements in which the [AuthorityCouncil](#) has a partnership relationship with a third party.
- Assess, at least once a year, the effectiveness of the systems of internal control, in line with current Accounts & Audit (Wales) Regulations.
- Provide appropriate information to the Corporate Governance Working Group to enable the Annual Governance Statement to be included within the financial statements, as required.
- Review existing controls in the light of changes affecting the [AuthorityCouncil](#) and establish and implement new controls as necessary. Also remove controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- Ensure that staff have a clear understanding of all procedures, and of the consequences of lack of control.

4.3 Audit Requirements – Internal Audit

Why is this important?

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972 and is required by the Accounts and Audit (Wales) Regulations 2005. The regulations state that 'a local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices'.

Internal audit is defined in the Public Sector Internal Audit Standards as:

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

Key Controls

The key controls for internal audit are:

- That it is independent in its planning and operation
- The Internal Audit Manager has direct access to the Head of Paid Services, the Monitoring Officer, External Audit and the Chair of the Audit Committee

Responsibilities of the Chief Finance Officer

To ensure that an effective Internal Audit function is resourced and maintained. Under Section 151 the local [authorityCouncil](#) should 'make arrangements for the proper administration of their financial affairs'. Proper administration includes compliance with the statutory requirements for accounting and internal audit.

Responsibilities of the Chief Officers

Chief Officers will:

- (a) Ensure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- (b) Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- (c) Consider and respond promptly to recommendations in audit reports.
- (d) Ensure that any agreed actions arising from audit recommendations are carried out timely and efficiently.
- (e) Ensure that whenever any matter arises which involves, or potentially involves, any suspected fraud, theft, irregularity, improper use or misappropriation of the [AuthorityCouncil](#)'s property or resources, Internal Audit are notified and take any such other immediate action as considered necessary (subject to any [AuthorityCouncil](#) rules and protocols).
- (f) Internal Audit shall notify the Chief Officer Governance where appropriate, and take such action by way of investigation and report, including informing and consulting with the relevant Chief Officer, ~~Chief Officer People and Resources~~ Senior Manager (HR & OD), notifying the Head of Paid Service, the Police and/or the External Auditor, as considered appropriate. Pending investigations and reporting, the Chief Officer will follow the fraud response plan and will take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- (g) Where sufficient evidence exists to believe that a criminal offence may have been committed, Internal Audit will consult with the Chief Officer, Senior Manager (HR & OD) ~~People and Resources~~ and the Monitoring Officer, together with the Head of Paid Service and determine whether to refer the matter to the Police. The Police will determine with the Crown Prosecution Service ~~whether~~ whether any prosecution will take place. Where fraud, theft, improper use or misappropriation of the [AuthorityCouncil](#)'s property or resources is proved, and the [AuthorityCouncil](#) has suffered a financial loss, the [AuthorityCouncil](#) will seek to recover the full value of any loss as outlined in the Corporate Anti-Fraud and Anti Corruption Strategy, Fraud Response Plan and Prosecution Policy.
- (h) Instigate the [AuthorityCouncil](#)'s disciplinary procedure when the outcome of an audit investigation indicates improper behaviour (by a member of staff), or indicates that a wider investigation is appropriate.

- (i) Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation, to ensure that control issues are fully considered and complied with.

4.4 Security of Assets

Why is this important?

The [Authority Council](#) holds assets in the form of property, vehicles, equipment, furniture, and other items. It is important that assets are safeguarded and used efficiently in service delivery and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a pre-requisite for sound asset management.

Key Controls

The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- Resources are used only for the purposes of the [authority Council](#) and are properly accounted for
- Resources are available for use when required
- ~~Resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits~~
- An asset register is maintained, assets are recorded when acquired and the record is updated following completion of condition surveys which are carried out on a cyclical planned asbasis. ~~changes occur with respect to the location and condition of the asse~~

†

- All staff are aware of their responsibilities with regard to safeguarding the [Authority Council](#)'s assets and information including the requirements of the Data Protection Act and software copyright legislation
- All staff are aware of their responsibilities with regard to safeguarding the security of the [Authority Council](#)'s computer systems, including maintaining restricted access to the information held on them and the compliance with the [authority Council](#)'s computer and internet security policies.

Responsibilities of the Chief Finance Officer

Ensure that an asset register is maintained in accordance with good practice for all fixed assets. The function of the asset register is to provide the [authority Council](#) with information about fixed assets so that they are safeguarded, used efficiently and effectively and adequately maintained.

To receive the information required for accounting, costing and financial records from each Chief Officer.

To ensure that assets are valued in accordance with the Code of Practice on Local [Authority Council](#) Accounting in the United Kingdom (CIPFA/LASAAC).

Ensure appropriate accounting entries are made to remove the value of disposed assets from the [Authority Council](#)'s records and to include the sale proceeds.

Responsibilities of the Chief Officers

- a) Ensure that records and assets are properly maintained and securely held.
- b) The corporate property function resides within the [Organisational Change Housing and Assets](#) Portfolio, with property records maintained by Valuation and Estates Services in conjunction with Legal.
- c) The Chief Officer ([Governance](#)), in consultation with the Chief Officer ([Housing and Assets](#))~~for Organisational Change~~, shall maintain a register of:
 - All lands and properties owned by the [Authority Council](#) (with the exception of dwellings provided under the Housing Acts) in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference, purchase details, particulars of all interests, tenancies granted and rents receivable.
 - All lands and properties leased to the [Authority Council](#) in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference and lease rental payment details.
- d) The Chief ~~Officers (Planning and Environment and Officer (Organisational Change Housing & Assets)~~ will arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer and, in accordance with the *Code of Practice on Local [Authority Council](#) Accounting in the United Kingdom* (CIPFA/LASAAC).
- e) The Legal Services Manager shall have custody of all title deeds and will put in place secure arrangements for this.
- f) The Chief Officer ~~Community & Enterprise~~([Housing and Assets](#)) shall maintain a record of all dwellings provided under the Housing Acts in a form agreed with the Chief Finance Officer.

g) Chief Officers shall be responsible for maintaining proper security and confidentiality of all financial and related information in the Chief Officer's possession including complying with the requirements of the [Authority Council's](#) Information Security Policy, [Data Protection Act](#), ~~(General Data Protection Regulation — [May 2018](#) — (GDPR))~~, the Computer Misuse Act and any subsequent legislation.

h) Chief Officers must ensure that:

- All staff are aware of their responsibilities with regard to safeguarding the [Authority Council's](#) assets and the protection and confidentiality of information, whether held in manual or computerised records, including the requirements of ~~the [Data Protection Act](#) (GDPR [May 2018](#))~~ and software copyright legislation.
- All staff are aware of their responsibilities with regard to safeguarding the security of the [Authority Council's](#) computer systems, including maintaining restricted access to the information held on them and compliance with the [Authority Council's](#) computer, portable storage media acceptable usage, e-mail and internet security policies.
- Arrangements are in place for the proper security and safe custody of all buildings, vehicles, equipment, furniture, stock, stores and other assets under their control.
- Lessees and other prospective occupiers of [authority Council](#) land or buildings are not allowed to take possession or enter the land or building until a lease or legal agreement, in a form approved by the Chief Officer ([Governance](#)) in consultation with the Chief Finance Officer, has been established as appropriate.
- Where land or buildings are surplus to requirements, a recommendation for sale is the subject of a report by the Chief Officer, or where action is taken under delegated powers this is reported to the Cabinet.
- Each Chief Officer maintains a register of assets with a value of over £500 which are moveable or desirable assets. The register should list the asset, location recorded, and that they are appropriately marked and insured.
- Cash holdings on premises are kept to a minimum and shall not exceed such limit as the Chief Finance Officer may prescribe, and that the arrangements for such cash holdings have been agreed with Internal Audit. Each Chief Officer must, in consultation with the Chief Finance Officer ensure safe and efficient cover for cash in transit.

- Keys to safes and similar receptacles are carried in the possession of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible. All official keys of buildings, alarms and secure places shall be securely maintained at all times using a designated key tagging system by the individual responsible for their custody. If not held on the person of the individual responsible for their custody, they should be held under secure arrangements. The loss of any such keys shall be reported to the Chief Finance Officer immediately.
- Assets are only used in the course of the [Authority Council](#)'s business, unless the Chief Officer concerned has given permission, in writing, for personal use by an employee.
- Records are kept of the disposal or part-exchange of assets.
- Inventories or other records are maintained, in a form approved by the Chief Finance Officer, of all vehicles, plant, equipment (including portable equipment such as FCC Laptops), machinery, protective clothing and such other items as the Chief Finance Officer may require for each location under the Chief Officer's control. Unless otherwise authorised in writing by the Chief Finance Officer, each inventory shall record, in respect of each item a brief description of the item, the serial number or other identifying mark (where applicable), particulars of acquisition (including details of ownership where applicable) and, in due course, particulars of disposal.
- An annual check of all items on the inventory is carried out in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the [Authority Council](#).
- There are arrangements for the care and custody of stocks and stores in the Portfolio. Each Chief Officer shall be responsible for the care and custody of all stocks and stores held in that Portfolio and shall account for their purchase, control, issue and return and disposal in a manner approved by the Chief Finance Officer.
- Items shall be held in stock only where ready availability or where purchase in bulk is more economical than purchase of individual items, having due regard to the storage and administration costs associated with each method. Stocks shall not exceed the level required to meet reasonable anticipated needs or to obtain the benefits of bulk purchasing, except in special circumstances in consultation with the Chief Finance Officer.
- Stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion, referring issues to Internal Audit, where appropriate.

- The Chief Finance Officer shall receive from the appropriate Chief Officer such information relating to stocks as the Chief Finance Officer may require for accounting or costing purposes, and shall require the appropriate Chief Officer to conduct, by persons other than the storekeeper, a complete stock-take at intervals of not more than one year together with one interim stock check.
- Sample checks are made of all actual stock holdings against recorded stock holdings. The checks should be such that all items of stock are included within the check at least once a year.

• Discrepancies are investigated and written off as necessary.

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i) Surplus, obsolete or defective items held in stock shall be disposed of at regular intervals not exceeding one year. Procedures for disposal of such stocks and equipment, including inventory items, should be by competitive quotations or auction, unless, following consultation with the Chief Finance Officer, the Cabinet decides otherwise in a particular case. Such write-offs or disposals will be reported to the Cabinet.

j) When the Chief Officer considers it appropriate, the stock or inventory item may be offered to other Portfolio's or employees for the highest quotation received in a sealed bid process on a secret and competitive basis, or disposed of by public auction. In each case officers, should seek to achieve the highest amount of value for the Council, whichever method of disposal is appropriate, or as scrap and disposal shall be certified in the stock records or inventory by the signature of the Chief Officer or other authorised Officer.

k) The names of Officers authorised to certify such disposals shall be agreed with and notified to the Chief Finance Officer by each Chief Officer, who shall provide the Chief Finance Officer with the specimen signature and initials of each such authorised Officer and amendments as they may occur. Disposal of items by any other method shall be subject to prior written authorityCouncil from the Chief Finance Officer.

l) In the event that the AuthorityCouncil decides to become involved in the commercial exploitation of intellectual property e.g. software development, the matter should be agreed by the Cabinet.

m) Whenever, in case of eviction, re-possession or similar circumstances, the AuthorityCouncil takes possession or custody of private moveable property, an itemised inventory shall be taken in the presence of two persons, one of whom shall be ~~an~~ AuthorityCouncil Officer or representative, who both shall witness it as a correct record.

- n) Each Chief Officer shall be responsible for ensuring safe custody and maintaining adequate records of lost property found on premises for which that Chief Officer is responsible. Unclaimed items shall be disposed of by the Chief Officer under arrangements approved by the Chief Finance Officer.
- o) Each Chief Officer will ensure that controls are in place to ensure that staff do not carry out private work in [Authority Council](#) time and that staff are aware of an employer's rights with regard to intellectual property. The ~~Chief Officer~~ [People and Resources Senior Manager HR & OD](#) will ensure that this is reflected in the [Authority Council](#)'s HR Policies.
- p) Ensure that income received for the disposal of an asset is properly banked and recorded.
- q) If any aspect of security is considered defective, or if special security arrangements are considered desirable, the Chief Officer concerned shall consult with the Chief Finance Officer with a view to remedial action.

4.5 Treasury Management

Why is this important?

~~Many millions of pounds pass through the authority's books each year. This has led to the establishment of codes of practices. These aim to provide assurances that the authority's money is managed in a way that balances risk with return with the overriding consideration being given to the security of the authority's capital sum. The Council holds varying levels of surplus cash at certain points in the year representing income received in advance of expenditure plus balances and reserves held. The Council complies with CIPFA and WG guidance 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.~~

Key Controls

That the [authority Council](#)'s borrowing and investments comply with the CIPFA Code: Treasury Management in Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition), Welsh Government (WG) guidance on local [authority Council](#) investments and the [authority Council](#)'s Treasury Management Strategy.

The [Authority Council](#) nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Responsibilities of the Chief Finance Officer

- a) Ensure that the [Authority Council](#) has an annual Treasury Management Strategy which fulfils the Council's legal obligation under the Local Government Act 2003 and to have regard to both the CIPFA code and the WG guidance.
- b) The Chief Finance Officer will operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Chief Finance Officer. Heads of Service will follow the instructions on banking issued by the Chief Finance Officer.
- c) The Chief Finance Officer will act as the [Authority Council](#)'s registrar of stocks, bonds and mortgages and maintain records of all borrowing of money by the [Authority Council](#).

Responsibilities of the Chief Officers

- a) Arrange for all trust funds to be held, wherever possible, in the name of the [Authority Council](#). All officers acting as trustees by virtue of their official position shall deposit securities, ~~et~~etc. relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.
- b) Arrange where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and for the maintenance of written records of all transactions.
- c) Ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

4.6 Imprest Accounts

Responsibilities of the Chief Finance Officer

- a) Provide employees of the [Authority Council](#) with cash or bank imprest accounts to meet minor expenditure on behalf of the [Authority Council](#) and prescribe rules for operating these accounts.
- b) Agree, in consultation with the relevant Chief Officer, the petty cash limit and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.
- c) Reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.
- d) Issue to Officers authorised to receive official money, such change floats as considered necessary, following consultation with the relevant Chief Officer, for the efficient performance of cash collection duties. Such a float shall not be used for any purpose other than the giving of change, and the Officer to whom it is issued shall be responsible at all times for its safe custody until such time as it is repaid to the Chief Finance Officer.
- e) The Chief Finance Officer may at any time require the authorised Officer to produce the float for inspection, to repay it or to sign a certificate of the amount held.
- f) Where considered appropriate the Chief Finance Officer shall open an account with the [Authority Council](#)'s bankers or other approved agency.

Responsibilities of the Chief Officers

Ensure that a business case is submitted to the Chief Finance Officer for any new Imprest Account. Payments shall be limited to minor items of expenditure up to a general individual limit of £50.

Ensure that employees operating an imprest account:

- (a) Obtain and retain receipts/invoices and vouchers to support each payment from the ~~imprest~~ [Imprest](#) account. Where appropriate, an official receipted VAT invoice must be obtained in order to ensure the correct recovery of VAT as per ~~Her Majesty's~~ Revenue and Customs ([HMRC](#)) regulations.
- (b) Ensure reimbursement claims are signed by the claimant and one authorising signatory. Imprest controllers must ensure that two authorising signatories are obtained where there are no valid receipts/invoices to support the expenditure.
- (c) Make adequate arrangements for the safe custody of the account.
- (d) Produce upon demand by the Chief Finance Officer cash and all receipts/invoices and vouchers to the total value of the imprest amount.

- (e) Record transactions promptly.
- (f) Reconcile and balance the account at least monthly irrespective of the frequency of reimbursement claims. Reconciliation sheets are to be signed by the imprest holder and two authorising signatories and placed on file.
- (g) The Imprest holder shall not allow the account to become overdrawn. It shall be a standing instruction to the [Authority Council](#)'s bankers or approved agency that the amount of any overdrawn balance on a Petty Cash Imprest holder's bank account be reported to the Chief Finance Officer.
- (h) Provide the Chief Finance Officer with a certificate of the value of the ~~imprest~~ **Imprest** account/float at the date requested by the Chief Finance Officer.
- (i) Ensure that the ~~imprest~~ is never used to cash personal cheques or to — make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (j) Ensure that payments are never made to individuals, contractors, consultants, casual staff or self-employed persons. The exceptions are where incentive bonus payments are made to service users in Social Services Day Opportunities and payments are made to residents from deputyship monies. Payments can be made from petty cash and then coded appropriately to the correct budget. In the case of deputyship, this is then reclaimed from personal monies.
- (k) Where emergency loans are made to service users, Officers will comply with the Monitoring and Recovery of Loans Procedure.
- (l) On leaving the [Authority Council](#)'s employment or otherwise ceasing to be entitled to hold or be a signatory for an ~~imprest~~ **Imprest** account inform the Chief Finance Officer so that arrangements can be made to close the account or transfer to another authorised Officer.

4.7 Staffing

Why is this important?

In order to provide the highest level of service, it is crucial that the [authority Council](#) recruits and retains high calibre, knowledgeable [staff individuals](#), qualified to an appropriate level

Key Controls

The key controls for staffing are:

- a) An appropriate workforce strategy and policy exists in which [staffing-workforce](#) requirements and budget allocations are matched

b) Procedures are in place for forecasting ~~staffing-workforce~~ requirements and cost

c) Controls are implemented that ensure that ~~staff-workers~~ time is used efficiently and to the benefit of the ~~authority~~Council

a)d) Checks are undertaken prior to ~~employing-engaging~~ new ~~staff employees~~ to ensure that they are appropriately qualified, experienced and trustworthy

The management of employee costs within schools is the responsibility of the ~~G~~overning ~~B~~body.

Responsibilities of the Chief Finance Officer

To act as an advisor on workforce related costs (e.g. pension contributions) as appropriate.

Responsibilities of the Chief Officers

The Senior Manager (HR & OD) will act as an advisor to a Chief Officer on ~~H~~uman ~~R~~esources (HR) policies.

Chief Officers will:

- (a) Ensure that budget provision exists for all existing and new employees.
- (b) Monitor ~~staff-employee's~~ activity to ensure adequate control over such costs as sickness, overtime, training and temporary ~~staffworkers~~.
- (c) Ensure that the staffing budgets are not exceeded without due ~~authority~~authority and that they are managed to enable the agreed level of service to be provided.
- (d) When reporting to the Cabinet or ~~Authority~~Council on any matter which has, or is liable to have, ~~staffing-people~~ / HR implications, the Chief Officer shall, in consultation with the Chief Finance Officer and the Senior Manager (HR & OD), incorporate into the report both the ~~staffing-people~~ / HR and financial implications of the matter under discussion.
- (e) Maintain a register of interests, in which any hospitality or gifts accepted, must be recorded:

- In compliance with the Flintshire County [AuthorityCouncil](#) Code of Conduct for Local Government Employees, no employee of the [AuthorityCouncil](#) shall accept any fee, gift or reward which is intended as, or might be construed as, an inducement to influence that employee in the execution of that employee's duties.
- The offer of any such fee, gift or reward shall be reported immediately by the employee concerned to the appropriate Chief Officer, and shall be recorded in the register of gifts and hospitality.

The Senior Manager (HR & OD) ~~will~~ will ensure that this policy will be reflected in the HR Policies and other policies, as relevant, of the [AuthorityCouncil](#).

5. Financial Systems and Procedures

5.1 General

Why is this important?

The information held in financial systems must be accurate and the systems and procedures well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

Key Controls

The key controls for systems and procedures are:

- a) Basic data exists to enable the [authorityCouncil](#)'s objectives, targets, budgets and plans to be formulated
- b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis
- c) Early warning is provided of deviations from target, plans and budgets that require management attention
- a)d) Operating systems and procedures are secure

Responsibilities of the Chief Finance Officer

To make arrangements for the proper administration of the [authorityCouncil](#)'s financial affairs, including to:

- a) Issue advice, guidance and procedures for officers and others acting on the [authorityCouncil](#)'s behalf
- b) Determine the accounting systems, form of accounts and supporting financial records
- c) Establish arrangements for audit of the [authorityCouncil](#)'s financial affairs
- d) Approve any new financial systems to be introduced
- a)e) Approve any changes to be made to existing financial systems

Responsibilities of the Chief Officers

- a) To ensure that accounting records are properly maintained and held securely
- b) To ensure that vouchers and documents with financial implications are not destroyed except in accordance with arrangements approved by the Chief Finance Officer

- c) To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original documents and vice versa is maintained
- d) To incorporate appropriate controls to ensure where relevant that all input is genuine, complete, accurate, timely and not previously processed. All processing is carried out in an accurate, complete and timely manner and output from the system is complete, accurate and timely.
- ~~a)~~ To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice
- e)
- f) To ensure there is a documented and tested disaster recovery plan to allow for information system processing to resume quickly in the event of an interruption
- g) To ensure that systems are documented and staff trained in operations.
- h) To consult with the Chief Finance Officer before changing any existing system or introducing new systems
- i) To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations and showing the limits of their ~~authority~~Council.
- j) To supply lists of authorised officers, with specimen signatures and delegated limits to the Chief Finance Officer and any subsequent variations
- ~~b)~~k) To ensure that where appropriate, computer systems are registered in accordance with current data protection legislation and that staff are aware of their responsibilities under the legislation. The law around data protection ~~has~~ changed, the General Data Protection Regulation (GDPR) ~~will apply now~~ applies in the UK (from 25th May 2018) and ~~will has~~ replaced the ~~current~~ Data Protection Act (DPA).

5.2 Income and Expenditure

Why is this important?

Effective income collection systems are necessary to ensure that all income is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the [authorityCouncil](#)'s cashflow and avoids the time and cost of administering debts.

Key Controls

The key controls for income are:

- a) All income due to the [AuthorityCouncil](#) is identified and charged correctly, in accordance with the [approved Council's Income generation Policy, charging policy](#) which is regularly reviewed
 - b) All income is collected from the correct person at the right time using the correct procedures
 - c) All money received by an employee on behalf of the [authorityCouncil](#) is paid without delay to the Chief Finance Officer or as he or she directs to the [AuthorityCouncil](#)'s bank account and properly recorded. The responsibility for cash collection should be separated from that of identifying the amount due and for reconciling the amount due to the amount received.
 - d) Effective action is taken to pursue non-payment within defined timescales
 - e) Formal approval for debt write-off is obtained
 - f) Appropriate write-off action is taken within defined timescales
 - g) Appropriate accounting adjustments are made following write-off action
 - h) All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
 - i) Money collected and deposited is reconciled to the [back-bank](#) account by a person who is not involved in the collection or banking process.
- a)) The Council's position on money laundering is contained within the Money Laundering Policy, which is available upon request from the Chief Finance Officer. Officers involved in the collection of income should make themselves aware of this policy and report suspected cases to the Chief Finance Officer. For this purpose, the Council cannot accept cash in excess of £5,000, although it is for individual officers to decide if, in specific instances, they should report incidents involving lesser amounts. In any situation requiring a sizeable refund the Officer involved should check the original type of lodgement.

Responsibilities of the Chief Finance Officer

- a) To agree arrangements for the collection of all income due to the ~~authority~~Council and to approve the procedures, systems and documentation for its collection
- b) ~~To o~~Order, control and issue all receipts, invoices, tickets and other documents recording, acknowledging, or demanding the receipt of monies paid to the Council, except where the Chief Finance Officer has given written approval to alternative arrangements in specific instances.
- c) Agree the write-off of bad debts up to £5,000 in aggregate for each single domestic or business debtor, agree in consultation with the Cabinet Member the write-off of bad debts over those amounts but up to £25,000 and refer for approval items for write-off in excess of £25,000 to the Cabinet. A record of all sums written off up to the approved limit is maintained to adhere to the requirements of the Accounts and Audit Regulations
- d) Make or approve secure and efficient arrangements for the recording of all income received by direct debit, standing order, debit and credit cards and such other methods of payment as the Council may approve
- e) To ensure that appropriate accounting adjustments are made following write-off action

Responsibilities of the Chief Officers

- a) To comply with the Income Generation Policy which has been established to support the provision of setting the Council's fees and charges, ensuring these operate at full cost recovery wherever possible and are subject to ~~and~~ annual increasesreview and uplift.
- b) Where possible income should be obtained in advance of supplying goods or services to improve the Council's cash flow, to avoid the time and cost of administering debts, and to reduce the risk of non-collection, particularly for low value items.
- c) No Sundry debt invoices with a value of less than £40, with the exception of invoices relating to peppercorn rents, licenses or leases in connection with the occupation of council land or property, shall be raised without the approval of the Chief Finance Officer and supported by an application in writing.
- a)d) _____ To separate the responsibility for identifying amounts due and the responsibility for collection

b)e) _____ To initiate appropriate debt recovery procedures in accordance with the Corporate Debt policy

e)f) To issue official receipts or to maintain other documentation for income collection

e)g) _____ To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.

e)h) _____ To lock away all income to safeguard against loss or theft and to ensure the security of cash handling

f)i) To ensure that income is paid fully and promptly into the appropriate authorityCouncil bank account in the form in which it is received

e)j) To ensure income is not used to cash personal cheques or other payments

h)k) _____ To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the authorityCouncil and to ensure accounts are sent out promptly. If possible all invoices should be raised within 5 working days of the provision of goods or services or at the earliest opportunity.

h)l) Have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

h)m) _____ To recommend to the Chief Finance Officer all debts to be written off and keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled except by full payment or by it being subject ~~to formal~~ to formal writing off.

k)n) _____ Ensure that levels of cash held on the premises do not exceed approved limits.

h)o) Keep a record of every transfer of cash between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy. Every transfer of cash shall be made direct by hand and not through the internal or external post (unless by prior approval from the Chief Finance Officer).

m)p) _____ To obtain the approval of the Chief Finance Officer when writing off debts in excess of the approved limit and the approval of Cabinet where required.

5.3 Ordering and paying for work, goods and services

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the authorities' policies. The [Authority Council](#) has a statutory duty to achieve best value through economy and efficiency. The [Authority Council](#)'s procedures should help ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the [authority Council](#)'s Contract Procedure Rules.

General

Every officer and member of the [authority Council](#) has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the [authority Council](#) in accordance with the appropriate codes of conduct.

Official orders must be submitted in advance via the Purchase to Pay system (P2P). No retrospective orders should be placed. Official orders must be issued for all work, goods or services to be supplied to the [authority Council](#) except ~~for supplies of utilities, periodic payments such as rents or rates, for~~ petty cash purchases or other exceptions specified by the Chief Finance Officer.

~~No Sundry debt invoices with a value of less than £40, with the exception of invoices relating to peppercorn rents, licenses or leases in connection with the occupation of council land or property shall be raised without the approval of the Chief Finance Officer.~~

Each order must conform to the guidelines approved by the full [authority Council](#) on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.

Apart from petty cash, schools own bank accounts and other payments in advance accounts, the normal method of payment from the [authority Council](#) shall be by BACS or other instrument or approved method drawn on the [authority Council](#)'s bank account. The use of direct debit shall require the prior agreement of the Chief Finance Officer.

Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of [authority Council](#) contracts.

Key Controls

The key controls for ordering and paying for work, goods and services are:

- a) All goods and services are ordered only by appropriate persons and are correctly recorded

b) All goods and services shall be ordered in accordance with the [authorityCouncil](#)'s contract ~~standing orders~~[procedure rules](#)

a)c) All orders are submitted via Purchase to Pay (P2P) and placed in advance of the relevant work, goods services or works being supplied.

d) Goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order

e) Payments are not made unless goods have been received by the [authorityCouncil](#) to the correct price, quantity and quality standards

b)f) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.

g) All appropriate evidence of transaction and payment documents are retained and stored for the defined period in accordance with the document retention schedule.

h) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions corrected.

i) The effect of electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically

j) [Purchases made using corporate credit cards:](#)

- [Must be made in accordance with these Financial Procedure rules and requires the cardholder to obtain a valid receipt for each item purchased to ensure the expenditure and VAT can be properly accounted for](#)
- [Must only be used for legitimate purposes and only for official Council purchases](#)
- [Must not be used to circumvent the official procedures of ordering and procuring goods and services.](#)

Responsibilities of the Chief Finance Officer

a) To ensure that all the [authorityCouncil](#)'s financial systems and procedures are sound and properly administered.

b) All procurement activities (ordering or goods, services and works) will be undertaken on the Council's approved Purchase to Pay (P2P) system.

c) To approve any changes to existing financial systems and to approve any new systems before they are introduced

- d) To approve the form of official orders and associated terms and conditions
- e) To make payments from the [authorityCouncil](#)'s funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial procedure rules
- f) To make payments, whether or not provision exists within the estimates where the payment is specifically required by statute or is made under a court order
- g) To make payments to contractors on the certificate of the appropriate Chief Officers which must include details of the value of work, retention money, amounts previously certified and amounts now certified
- h) To provide advice and encouragement on making payments by the most economical means
- i) To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into accounts in budget monitoring reports.
- a)) To authorise the issue of corporate Credit cards together with the agreed spending limit

Responsibilities of the Chief Officers

- a) To ensure that upfront electronic orders using the Purchase to Pay (P2P) system are placed for all goods and services other than ~~the exceptions for supplies of utilities, rent, rates,~~ petty cash purchases and any other exemptions specified by the Chief Finance Officer.
- b) To ensure that orders are only used for goods and services provided to the Portfolio. Individuals must not order goods or services for their private use
- c) To ensure that only those staff authorised by the Chief Officer approve orders and to maintain an up to date list of such authorised staff including specimen signatures identifying in each case the limits of their [authorityCouncil](#). The list should be reviewed annually. Names of authorising Officers together and details of the limits of their [authorityCouncil](#) shall be forwarded to the Chief Finance Officer and any subsequent amendments incorporated into the P2P system
- d) The authoriser of the order should be satisfied that the goods and services ordered are appropriate and that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value

principles should underpin the [authorityCouncil](#)'s approach to procurements. Value for money should always be achieved.

~~e)~~e) To ensure that all expenditure, including VAT, is accurately recorded against the correct budget head and any exceptions are corrected. If it is deemed that a budget amount has been incorrectly allocated, a Chief Officer will request a journal adjustment. Under no circumstances will the expenditure be incorrectly coded in order to match the expenditure with an incorrect budget allocation.

~~e)~~f) Each Chief Officer shall be responsible for all orders issued from, or on behalf of, his or her Portfolio. Where one Chief Officer places an order on behalf of another, that Chief Officer shall obtain the latter's consent in advance.

~~e)~~g) To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should where possible be carried out by a different officer from the person who authorised the order.

h) To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment confirming:

- Receipt of goods or services
- That the invoice has not been previously paid
- That expenditure has been properly incurred and is within budget provision
- That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
- Correct accounting treatment of tax
- That discounts have been taken where available
- That appropriate entries will be made in accounting records

~~i)~~i) To ensure that two authorised members of staff are involved in the ordering, receiving and payment process and appropriate segregation of duties are maintained at each stage.

~~f) To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice and appropriate segregation of duties are maintained at each stage.~~

~~i)~~i) To ensure that the Portfolio maintains and reviews periodically a list of staff approved to authorise the invoices. Names of authorising officers together with specimen signatures and details of the limits of their [authorityCouncil](#) shall be forwarded to the Chief Finance Officer

k) To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice

l) To encourage suppliers of goods and services to receive payments by the most economical means for the [authorityCouncil](#). Payments made by direct debit must have the prior approval of the Chief Finance Officer.

m) To ensure that the directorate obtains the best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality with regard to best value principles and contract ~~standing orders~~[procedure rules](#)

n) To ensure that loans, leasing or rental arrangements are not entered into without prior agreements from the Chief Finance Officer.

o) To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.

p) To notify the Chief Finance Officer immediately of any expenditure incurred as a result of statute/court order where there is no budgetary provision

q) To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the document retention schedule.

r) [For all staff issued with a Corporate Credit card, to ensure that they:](#)

- [Comply with the Corporate Card Policy issued upon receipt of the Corporate Card](#)
- [Ensure the safe custody of the card](#)

5.4 Payments to employees and members

Why is this important?

Staff costs are the largest item of expenditure for most [authorityCouncil](#) services. It is therefore important that payments are accurate, timely, made only where they are due for services to the [authorityCouncil](#) and that payments accord with individuals' conditions of employment. It is important that all members' allowances are authorised in accordance with the scheme adopted by the full council.

Key Controls

The key controls for payments to employees and members are:

- a) Proper authorisation procedures are in place and that there are corporate timetables in relation to starters, leavers and variations to pay.
- b) Frequent reconciliation of payroll expenditure against approved budget and bank account.
- c) All appropriate payroll documents are retained and stored for the defined period in accordance with the retention schedule.
- d) Compliance with ~~HM Revenues and Customs (HMRC)~~ and other statutory regulations.
- e) All claims for payment of financial loss, attendance, travelling, subsistence and car allowances and other incidental expenses paid for by the claimant, shall be completed and signed by the claimant in a form approved by the Corporate Finance Manager or Senior Manager ~~(HR & OD)~~ as appropriate.
- f) The off-payroll (IR35) working rules are in place to ensure that where an individual would have been an employee if they were providing their services directly, their payments are processed via payroll.

Responsibilities of the Corporate Finance Manager

The Corporate Finance Manager or Senior Manager ~~(HR & OD)~~ as appropriate will:

- a) Arrange and control secure and reliable payment of salaries, pensions, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- a)b) Record and make arrangements for the accurate and timely payment to all appropriate statutory and non-statutory bodies including Pay as you Earn (PAYE), pensions and other payroll deductions.
- b)c) Make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- e)d) Make arrangements for paying Members' under the Members Allowances Scheme and the Members Travel and Subsistence Scheme, which will be maintained by the Corporate Finance Manager or Senior Manager ~~(HR & OD)~~ as appropriate.

e)e) Ensure that there are adequate arrangements for administering pension scheme matters on a day-to-day basis.

e)f) Maintain a list of all officers who are approved to authorise any payroll related records as notified by the relevant Chief Officer. This shall be reviewed on a regular basis. Chief Officers must communicate any changes as soon as they are known.

f)g) Implement pay agreements as soon as possible after their notification from the appropriate body and process increments. Arrangements for funding such awards will be determined each year as part of the budgetary process.

g)h) Retain for each employee, a copy of contracts and terms and engagements together with sufficient information to identify service, salary scale and current amount payable and absences from duty (apart from approved leave).

Responsibilities of the Chief Officers

a) To provide the ~~Corporate Finance Manager or~~ Senior Manager ~~(,HR & OD)~~ ~~as appropriate~~, in writing with the names of officers authorised to certify claims for expenses together with the specimen signature of each such authorised Officer, and any amendments on the occasion of any change. Certification of a claim by, or on behalf of, a Chief Officer shall signify that the certifying Officer is satisfied that the journeys were authorised, that the expenses were necessarily incurred in the performance of duty, that the allowances are properly payable by the Council, and that cost-effective travel arrangements are achieved.

b) To ensure that claims are submitted to the ~~Corporate Finance Manager or~~ Senior Manager ~~(,HR & OD)~~ ~~as appropriate~~ for payment within the specified timescale. Ensure appointments are made in accordance with the Procedure Rules of the Council and approved establishments, grades, scale of pay and that adequate budget provision is available.

b)c) Notify the ~~Corporate Finance Manager or~~ Senior Manager ~~(,HR & OD)~~ ~~as appropriate~~ of all appointments, terminations (resignations, dismissals) or variations (secondments, transfers, absences from duty through sickness or other reasons apart from approved leave, changes in remuneration, other than normal increments and pay awards and agreements of general application) which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the ~~Corporate Finance Manager or~~ Senior Manager ~~(,HR & OD)~~ as appropriate.

e)d) Ensure that adequate and effective systems and procedures are operated in a form approved by the Senior Manager ~~(,HR & OD)~~, so that payments are only authorised to bona fide employees:

- Payments are only made where there is a valid entitlement.
- Conditions and contracts of employment are correctly applied.
- Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

e)e) Provide information necessary to maintain records of service for pensions, income tax, national insurance or other statutory obligations.

e)f) Ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. ~~HM Revenues and Custom~~HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Senior Manager (HR & OD).

f)g) Ensure that the Senior Manager (HR & OD) is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

g)h) In conjunction with the Senior Manager (HR & OD), maintain an up to date establishment structure and adhere to the Establishment Control Maintenance Process.

h)i) The Senior Manager (HR & OD) will be responsible for recovering payroll overpayments where the employee continues to have employment with the Council and where the overpayment is £750 or less. A repayment schedule, ensuring repayment is made within the same financial year as the overpayment, will be formally agreed with the employee.

i)j) For all payroll overpayments in excess of £750, irrespective of employment status, recovery of the overpayment will be the responsibility of Debt Recovery, ensuring that such overpayments are included within the Council's total debt.

j)k) All pay documents shall be, in a manner prescribed by the Senior Manager (HR & OD), certified manually by or on behalf of the appropriate Chief Officer. The names of Officers authorised to certify such documents shall be agreed with, and notified in writing to the Senior Manager (HR & OD) by each Chief Officer, who shall provide the Corporate Finance Manager with the specimen signature and initials of each such authorised Officer and any amendments on the occasion they arise.

k)l) Chief Officers and the Senior Manager (HR & OD) will ensure that all appropriate payroll documents are retained and stored, as required, by the Senior Manager (HR & OD).

h) No cheque made payable to a Member or ~~Employee~~ employee will be cashed by the Council, unless it is under a scheme approved by the Corporate Finance Manager and is presented by the person named on the cheque, and duly endorsed.

i) Members and employees will submit claims for travel and subsistence on a monthly and comply with the Mileage and Expenses Policy. Mileage and Expense claims over three months old will only be paid once a satisfactory written explanation of the late submission has been provided from the relevant Service Manager to the Senior Manager (—HR and OD).

j) Timesheets, Employee Self Service and other documents which are used to generate payment of salaries or other employee related expenses must be on official forms or via authorised electronic inputs. Chief Officers are responsible for ensuring that they are certified by an authorised Certifying Officer.

5.5 Taxation

Why is this important?

The ~~Authority~~Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important that all officers are made aware of their role.

Key Controls

The key controls for taxation are:

- a) Budget managers are provided with the relevant information and kept up to date on tax issues
- b) Budget managers are instructed on required record keeping
- c) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- d) Records are maintained in accordance with instructions
- e) Returns are made to the appropriate authorities within the stipulated timescale

Responsibilities of the Chief Finance Officer

- a) The Chief Finance Officer and / Senior Manger HR & OD (as appropriate as described below) is responsible for advising Chief Officers and Heads of Service, on all taxation issues that affect the Council.

b) The Chief Finance Officer or Senior Manger HR & OD as appropriate is responsible for maintaining the Council's tax records, making tax payments, receiving tax credits and submitting tax returns by their due date.

c) Complete a monthly return of Value Added Tax (VAT) inputs and outputs to ~~HM Revenue and Customs~~ HMRC.

d) Be responsible for accounting to the appropriate agency for other forms of taxation payable to or by the Council and for supplying to such agencies such other information as they may validly require.

e) Provide details to ~~HM Revenue and Customs~~ HMRC regarding the construction industry tax deduction scheme.

f) Maintain up-to-date guidance for each Chief Officer on their responsibilities in regard to any taxation matters, and to individual Council employees on taxation issues.

g) The Senior Manger HR & OD, with guidance from the Chief Finance Officer, will:

- Account to ~~HM Revenue and Customs (HMRC)~~ HMRC for all tax deducted from employees' emoluments under the PAYE arrangements.
- Maintain up-to-date guidance for Chief Officers on their responsibilities in regard to taxation matters relating to Payroll, and inform Council employees of taxation issues arising within Payroll.

h) The Chief Finance Officer or Senior Manger HR & OD as appropriate may require from any employee of the Council such information as is necessary for fulfilment of their obligation under this Financial Procedure Rule.

Responsibilities of the Chief Officers

(a) Ensure that for any purchase which is taxable under current VAT legislation, payment will only be made on receipt of a proper invoice complying with the VAT regulations. The only exceptions are where an invoice is properly issued by the supplier on receipt of payment or where the use of authenticated VAT receipts has been agreed with the supplier.

- (b) Ensure that the correct VAT liability is attributed to all income due and that the recovery of VAT on purchases, including those paid for via an imprest account or corporate card, complies with ~~HM Revenue and~~HMRC Customs regulations.
- (c) Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- (d) Ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- (e) Follow the guidance on taxation issued by the Senior Manger HR & OD such as the "Tax Management: Corporate Policy Statement"; in the "VAT Manual" and in taxation updates issued periodically.
- (f) Seek advice from the Chief Finance Officer or Senior Manger HR & OD as appropriate on VAT, or other tax implications, when entering into partnerships and other joint working arrangements.

5.6 Trading Accounts and Business Units

Why is this important?

Trading accounts and business units will become more important as services develop a more commercial culture. Authorities are required to keep trading accounts for services provided on a basis other than a straightforward recharge of cost.

Where services are provided via an 'Alternative Delivery Model' (separate legal entities), specific financial procedures will be incorporated into the individual models.

Responsibilities of the Chief Finance Officer

To advise on the establishment and operation of trading accounts and business units.

Responsibilities of the Chief Officers

- a) To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract exceeds the remaining life of their main contract with the ~~authority~~Council
- b) To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited

and all relevant expenditure, including overhead costs is charged to produce an annual report in support of the final accounts.

- c) To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units
- d) To ensure that each business unit prepares an annual business plan

6. External Arrangements

6.1 Partnerships

Why is this important?

Partnerships play a key role in delivering community strategies and in helping to promote and improve the well being of an area. The Local [Authority Council](#) can still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders and deliver a shared vision of services based on user wishes.

Key Controls

The key controls for [authority Council](#) partners are:

- a) If appropriate to be aware of their responsibilities under the [authority Council](#)'s financial regulations and contract standing orders
- b) To ensure that risk management processes are in place to identify and assess all known risks
- c) To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise

d) To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences

a)e) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution

General

a) Both the Council and the Cabinet are responsible for approving delegations, including frameworks for partnerships and joint ventures. The Cabinet is the focus for forming partnerships and joint ventures with other local public, private, voluntary and community sector organisations to address local needs.

b) Both the Council and the Cabinet can delegate functions – including those relating to partnerships – to Officers. These are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated the Officers remain accountable for them to the Council and the Cabinet as appropriate.

c) The Head of Paid Service or other nominated Officers will represent the Council on partnerships and external bodies, in accordance with decisions of the Council/Cabinet or otherwise as authorised by the Head of Paid Service

Responsibilities of the Chief Finance Officer

a) Be responsible for (with the Monitoring Officer) for encouraging the same high standards of conduct (with regard to financial administration and other matters, respectively) in partnerships and joint ventures that apply throughout the Council insofar as the constitutions of respective organisations permit them to do so.

b) Ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are appropriate. He or she, in consultation with the Monitoring Officer, must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies, ensuring that the risks have been fully appraised before agreements are entered into.

c) Advise on the key elements of funding a project, including:

- An options appraisal scheme for financial viability.
- Risk appraisal and management.
- Resourcing, including taxation and pension issues.
- Audit, security and control requirements.
- Carry-forward arrangements.

- d) Ensure that the accounting arrangements are appropriate.

Responsibilities of the Chief Officers

- a) To be responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies. (The Monitoring Officer will advise on legal matters)
- b) Maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.
- c) Ensure that, before entering into agreements with external bodies, a risk management and options appraisal has been prepared for the Cabinet, in consultation with the Chief Finance Officer and Monitoring Officer.
- d) Ensure that all agreements and arrangements are properly documented.
- e) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Council's Statement of Accounts concerning material items.
- f) Ensure that the project progresses in accordance with the agreed plan and that all expenditure is properly incurred and recorded.

- g) Ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the Chief Finance Officer.

- h) Seek advice from the Chief Finance Officer or Chief Officer People and Resources as appropriate on VAT, or other tax implications, when entering into partnerships.

6.2 External Funding including Grants

Why is this important?

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the [Council](#). Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers.

Key Controls

The key controls for external funding are:

- a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- b) To ensure that funds are acquired only to meet the priorities approved in the policy framework by the full council.
- c) To ensure that any match funding requirements are given due consideration prior to entering into long term agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

- (a) Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- (b) Ensure that all grant income and associated information is logged on the Corporate Grants Database and adhere to the requirements of the Grant Manual.
- (c) Ensure that audit requirements are met.
- (d) Ensure that match funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Officers

- a) Ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- b) Ensure that funds are acquired only to meet the priorities approved by the Council in the policy framework.
- c) Ensure that any match-funding requirements are given due consideration and that future revenue budgets reflect these requirements, before entering into long-term agreements.
- d) Ensure that all claims for funds are made by the due date.

- e) Ensure that proposals are costed properly and that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- f) Ensure that contracts are drawn up and maintain a register of all contracts entered into with third parties.
- g) Ensure that appropriate insurance arrangements are made, via the Chief Finance Officer.
- h) Ensure that, as far as possible, the Council is not put at risk from any bad debts.
- i) Ensure that no contract is subsidised by the Council.
- j) Ensure that such contracts do not impact adversely upon the services provided for the Council.
- k) Have in place an exit strategy to implement when the funding ceases. This strategy must allow for all costs associated with the winding up, including any costs arising because staff have gained employment rights, being met from within the externally provided monies and, therefore, at no additional cost to the Council. If the terms of the external funding do not allow such costs to be met from it, then they must be met from within the base budget of the Portfolio concerned.
- l) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.
- m) Ensure that all grant income is coded, in the first instance, to the appropriate balance sheet code in order to avoid double counting the overall income and expenditure of the Council.

Other Funds

Why is this important?

The Council will not as a general rule supervise the financial administration of, nor audit, unofficial funds, and accepts no liability whatsoever for any loss however caused. Unofficial funds are defined as those which are not the property of the Council, for example school monies collected by schools for school trips and monies held in Amenities Funds in Social Services establishments. Those operating such funds, therefore, have an overall responsibility to ensure that proper financial stewardship is observed.

Key Controls

- (a) A Treasurer and independent auditor are formally appointed.
- (b) Proper rules are operated to secure adequate standards.
- (c) Adequate records and procedures are maintained.
- (d) Regular reports on fund transactions and balances are received and checked against bank statements.
- (e) Annual statements of income and expenditure and fund balances are prepared and audited on a timely basis.

General

The School Fund Regulations, 2013 must be followed for the operation of all school funds in Flintshire Schools and ensure that funds are only used for the purpose that they are intended for as per the regulations.

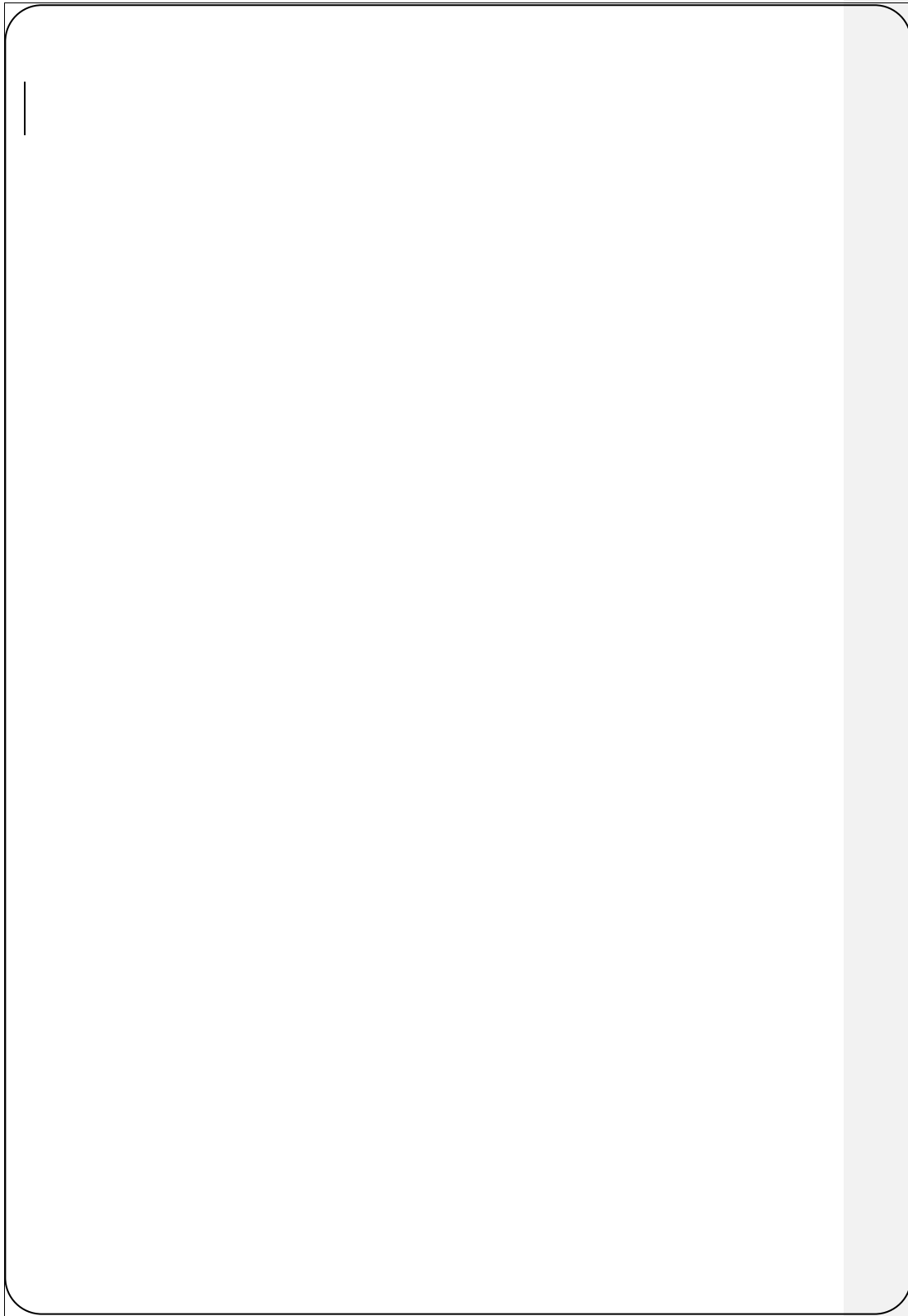
Responsibilities of the Chief Finance Officer

Prepare the note to be entered into the Statement of Accounts

Responsibilities of the Chief Officers

Those operating or intending to operate unofficial funds are also required to:

- (a) Notify the Chief Finance Officer of details of the fund as soon as it is set up.
- (b) Provide an independent audit certificate for the fund on an annual basis.
- (c) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.



Protection of Clients Assets

Why is this important?

Where the Council is appointed as a Deputy for a Client by the Office of the Public Guardian (OPG), the Chief Officer will ensure that all OPG regulations and guidelines are complied with.

Where the Council is approved by the Department for Work and Pensions (DWP) to act as a Corporate Appointee for a Client, Chief Officers will ensure that all guidelines provided by the DWP are complied with.

Key Controls

Responsibilities of the Chief Officers

Heads of Service will ensure that a separate bank account is arranged for each Client, with the bank account reconciled on a regular basis, at least monthly.

Every transfer of clients monies from one Officer to another shall be recorded immediately in a manner approved by the Chief Finance Officer and shall be evidenced by the signature of the receiving Officer.

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GLOSSARY OF FINANCIAL TERMS	
Aggregate External Finance (AEF)	Aggregate external finance (AEF) represents the support for local revenue spending from the Welsh Government and is made up of formula grant. Formula grant includes the revenue support grant (RSG), and the distributable part of non-domestic rates (NDR). Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement.
Annual Report & Accounts	The document that contains a summary of the purpose of the local authority, its activities and performance for the year, as well as the annual accounts.
Anti Canvassing	A declaration that a supplier, provider or contractor has not been party to canvassing or lobbying Council staff or Members either directly or indirectly to gain preferential treatment in competitive tendering processes.
Anti Collusive	A declaration that a supplier, provider or contractor has not been party to possibly fraudulent arrangements between two or more of them whereby prices or service requirements are manipulated to get round competitive tendering.
Assets	Any item of value owned by an entity (e.g. buildings, vehicles). Assets can be classed as Non-current or capital assets where the asset has a useful life of more than one year (e.g. buildings, vehicles), or a current asset which includes cash or other assets which can reasonably be expected to be converted to cash in the normal course of business including stocks, debtors etc.
Audit Certificate	The document that contains the opinion of the external auditor regarding an organisation's accounts, systems and standards.
Audit Committee	Audit Committees monitor and review the risk, control and governance processes that have been established in an organisation and the associated assurance processes to ensure that internal control systems are effective and that activities are within the law and governing regulations. This is done through a process of constructive challenge.
Audit Plan	Internal audit identification of the work that they intend carrying out over the audit planning period (up to a year) and the resources needed for that work.
Barnett Formula	The formula used to allocate a population based share of changes in planned expenditure on comparable services by Departments of the UK Government to the devolved administrations of Wales, Scotland and Northern Ireland. The Barnett Formula calculates the size of change to the assigned budget rather than the total assigned budget.
Benchmarking	A method for councils to work out how well they are doing, by comparing their performance with other, similar councils, and with performance indicators.
Best value	A statutory duty owed by local authorities to their local community, requiring them to make continuous improvements in the way they carry out their functions having regard to a combination of economy, efficiency and effectiveness.
Block Grant	The Block Grant is the sum of money voted by parliament to the Secretary of State for Wales. It constitutes the assigned element of the

	Welsh Governments' Departmental Expenditure Limit and is calculated from the existing baseline using the Barnett Formula.
Budget	A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them.
Budget Book	The publication in which the Council sets out its budget for a particular financial year.
Budget Head	For a particular service activity, the level of detail at which revenue or capital budgets are approved by the Council, whether in the Budget Book, the latest approved capital programme or as a result of supplementary estimates approved for the budget year.
Budgetary Control	The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the Council are not over or under spent. This process is aided by the use of budget profiles.
Capital Programme	The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.
Capital Charges	A calculation of the annual costs, included within the revenue accounts of using capital assets. This includes, where appropriate depreciation.
Capital Expenditure	Spending on non-current assets (buildings, equipment and land) intended to benefit future accounting periods or spending that increases the capacity, economy, efficiency or lifespan of an existing asset.
CIPFA	Chartered Institute of Public Finance and Accountancy
Code of Corporate Governance	The part of the Council's constitution which sets out the systems and processes, and cultures and values necessary for achieving and demonstrating good corporate governance.
Codes of Conduct	The protocols within which Members and Officers will work as set out in the Constitution.
Codes of Practice	Guidance issued by professional bodies in relation to standards which are not regulated by statute, or by the Council itself.
Collaborative Arrangement	A contract or agreement established in conjunction with one or more other organisations.
Collaboration/ Consortium	The process of procurement shared between different Councils or other public sector organisations.
Construction Industry Scheme 2007	Legislation designed to ensure that all payments to contractors are made in accordance with HMRC legislation.
Consultant	A person (not an employee), agency or firm engaged for a limited period of time on a fee basis to carry out a specific task or tasks. A consultant provides subject matter expertise and/or experience to the Council either because it does not possess the skills or resource in-house or which requires an independent evaluation/assessment to be made

Appendix 3

Contract	An agreement to be supplied with goods, works, services or supplies on mutually agreed and binding terms, often in writing.
Contractor/ Supplier/ Provider	The successful 'other party' with whom a contract is formed to provide the specified requirement.
Corporate Contracts	A contract which has been procured by Flintshire County Council or a Consortium for the potential use of, and on behalf of, the whole of Flintshire.
Corporate Governance	The system by which organisations are directed and controlled. The framework that ensures that an organisation fulfils its overall purpose, achieves its intended outcomes for residents of Flintshire and service users, and operates in an effective, efficient and ethical manner.
Council Fund	The fund to which all the Council's revenue expenditure is charged
Council Tax	A local tax based on the capital value of residential properties.
Council Tax Base	The estimated number of chargeable properties, expressed as the equivalent number of 'Band D' properties in the Council's area. The Council is required to annually advise the Welsh Government of its Council Tax Base (as at 31 st October), which they use in the Local Government Financial Settlement, and to allow the County Council, North Wales Police Authority and Town / Community Councils to calculate the following year's Council Tax charges.
Council's Constitution	The Constitution sets out how Flintshire County Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Council's Monitoring Officer	The Officer designated by the Council as its Statutory Monitoring Officer.
Creditors	A person or body to whom the Council owes money.
Debtors	A person or body who owes the Council money. The debt may derive from a number of sources such as Council Tax or rent arrears, rechargeable works or where an account has been rendered for a service provided by the Council.
E procurement	The effective use of ICT to communicate and transact Council business with suppliers etc.
E tender	The effective use of ICT to undertake tenders.
Estimated Outturn	Estimates of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.
External Audit	External auditors provide an independent check that the annual accounts of a body properly reflect the financial year, funds were spent in accordance with relevant regulations or directions, and that the body achieves the best possible value for public money. External audit may also carry out value for money or other reviews of services.
Financial Regulations	That part of the Council's Constitution which provides an approved framework for the proper financial management of the authority.
Financial year	The period of twelve months commencing on 1 April
Framework Agreements	An arrangement under which a contracting Authority establishes with a provider of goods, works or services, the terms under which contracts subsequently can be entered into, or 'called-off' (within the limits of the agreement) when particular needs arise.

Fraud	Fraud is an intentional deception made for personal gain or to damage another individual. Good internal controls and governance arrangements are essential to minimise the risk of fraud. When council suffer fraud or theft it is often the case that the perpetrator has prepared false documents to disguise or to cover up the theft or fraud. In many cases the false documents include invoices and minutes
Goods	Tangible, moveable commodities (e.g. furniture and equipment etc)
Housing Revenue Account	The Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the council fund and trading accounts and is funded primarily from rents and government subsidy. Rent increases and the Housing Revenue Account Subsidy (HRAS) are approved annually under Standing Order 29, by the Welsh Government, through the <i>(Wales) General Determination of the Item 8 Credit and Item 8 Debit</i> and the <i>Housing Revenue Account Subsidy (Wales) Determination</i> .
Hypothecated Funding	Ring-fenced funding, which must be spent on particular services or initiatives
Indicator Based Assessments (IBAs)	Service specific Indicator Based Assessments (IBAs) are combined to generate total Standard Spending Assessments (SSAs, see further on) which are used by the Welsh Government to distribute the Revenue Support Grant funding to Local Authorities. IBAs are for use in calculating total SSAs and are not intended for use in determining individual authorities' budgeted expenditure on particular services.
Investment Income	Income form interest receipts on investments held by the council
Indemnity	Protection against future loss, or legal exemption from liability for damages
Insurance	Insurance is one of the ways that the councils manage the risk of losses
Internal Audit	Internal audit provides an objective appraisal service within an organisation, to improve the organisation's risk management, control and governance procedures, and to provide assurance to the accountable officer and the audit committee on these matters.
Internal control	The systems an organisation has in place to manage and mitigate risk.
Inventory	A detailed listing of all goods, materials, furniture and equipment in the ownership or use of a particular service, other than those held in stocks and stores records. They are also subject to periodic physical checks. Inventories are normally maintained in sufficient detail as to description, location, age, value etc. to enable any material loss arising from a fire, theft or other event to be identified and to support any insurance claim.
Land Terrier	Records of land owned by the Council
Liabilities	Items that are owed by the entity such as loans, leases, etc.
Liquidated Damages	A prior estimate of a justifiable financial loss in the event of a failure to complete by the specified date(s).
Materiality	An expression of the relative significance of a particular matter in the context of the financial statements as a whole

Members Allowances	A scheme of payments to elected Members of the Council in recognition of their duties and responsibilities in accordance with the relevant Regulations.
Medium Term Financial Strategy	The approved strategic process by which the council expects to finance its activities in the medium term.
Outturn	Expenditure actually incurred
Overspend	When referring to expenditure the actual expenditure incurred is greater than the budget. Shown as a +ve When referring to income the actual income achieved is less than the budget. Shown as a +ve.
PAYE	Tax deductions from salaries and wages payments made by the Council in accordance with HMRC legislation.
Petty Cash/Imprest Account	A small amount of cash kept on hand by a service for incidental expenses
Precept	This is the Council Tax collected by the Council on behalf of the Community Councils and the North Wales Police Authority
Procurement	Procurement is the process of obtaining supplies, services and works spanning the life cycle of the asset or service contract. It has a wider meaning than traditional terms such as purchasing, buying or commissioning. It is about securing services and products which best meet the needs of all stakeholders; anyone who can or might be affected by the services and products involved.
Reserves	These are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.
Revenue	A term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes however charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.
Revenue Support Grant (RSG)	<p>The Revenue Support Grant (RSG) represents the major element in the support for local revenue spending that the Council receives from the Welsh Government, as required by section 78(1) of the <i>Local Government Finance Act 1988</i>. Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement, and form a part of the Aggregate External Finance (AEF).</p> <p>The objective of the revenue support grant system is to enable authorities to provide a common level of service consistent with an aggregate figure of total standard spending (as assessed by Welsh Government using Standard Spending Assessments, see below). Its aim is to compensate for differences in the levels at which authorities need to spend and at which they can raise council tax in order to provide a common level of service. This objective is met by calculating the revenue support grant for each authority as the difference between its standard spending assessment and the sum of its re-distributed</p>

	non-domestic rate income and council tax (as calculated by the Welsh Government for standard spending purposes.)
Risk Management	A planned and systematic approach, involving culture, structure and processes, to provide assurance that the Council's significant risks are identified, evaluated and managed effectively
Risk Management Policy	An agreed policy which sets out how and why the Council will manage risk of all types across all of its activities
Scheme of Delegation	The framework by which budgetary control and financial monitoring are exercised at a local level.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. In Flintshire, this responsibility is vested in the Head of Finance.
Select List	A list of suitably qualified contractors, suppliers or providers that has been drawn up and assessed through an advertising and short-listing exercise for a particular contract or procurement activity.
Services	Intangible commodities (e.g. agency staff, consultants etc). It can also mean support to individuals or groups.
Standard Spending Assessments (SSAs)	<p>Standard Spending Assessments (SSAs) are notional assessments of each council's need to spend on revenue services, calculated each year by the Welsh Government for use in the distribution of the Revenue Support Grant (RSG). SSAs are calculated prior to the year to which they relate using principles established by the Welsh Government, which encompass the demographic, physical and social characteristics of each area, as reflected by a range of indicators. SSAs include the need to spend on the current element of revenue expenditure and the need to spend on the capital charges element of revenue expenditure. The distribution of the current element between local authorities is based on the distribution of, such as pupil numbers, population and measures of deprivation and rurality. The distribution of the capital charges element between local authorities is based on the latest available credit ceiling figure for each authority (which is essentially the level of unpaid debt) together with estimates of how this will change in the year to which the SSAs relate.</p> <p>SSAs are intended to reflect variations in the need to spend which might be expected if all authorities responded in a similar way to the demand for services in their area, and as this is the mechanism for distributing the RSG to local authorities this would enable all authorities in Wales to charge the same level of council tax for the provision of a similar standard of service.</p> <p>An authority's SSA is derived as a funding mechanism to distribute the RSG, it is not and should not be viewed as a target level of expenditure for an authority. The RSG funding is unencumbered, SSAs are not meant to be prescriptive in any way, and therefore</p>

	authorities will spend at levels above and below their SSA according to decisions that have been made locally.
Statement of Accounts	<p>The Statement of Accounts provides details of the Council's financial position over the previous financial year. Its purpose is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances. Statements of Accounts across all local authorities should reflect a common pattern of presentation, although this does not require them to be in an identical format.</p> <p>The Statement of Accounts is produced in accordance with the requirements of the Code of Practice on Local Authority Accounting in the UK (the code). The code is updated annually and in 2010/11 the code was based on International Financial Reporting Standards (IFRS) issued by CIPFA for the first time.</p>
Sub-contractors	A subcontractor is a legal person appointed by a contractor to get the contract, part of the contract or any section of the contract assigned to him to be executed.
Supplies	Consumables (e.g. paper, stationery, foodstuffs etc).
Tender List	Drawn from a previously determined select list, the list of suppliers, providers or contractors actually invited to tender
Tenderer	A potential supplier or provider or contractor.
Third Sector	Third Sector Organisations are key partners in the delivery of services on behalf of the people of Flintshire
Treasury Management	The management of the authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.
Treasury Management Strategy	The strategy for the Treasury Management activities to be adopted for a particular financial year. The strategy needs to be flexible enough to allow the Head of Finance to respond appropriately to changing circumstances during the course of the year to the best advantage of the Council.
Underspend	<p>When referring to expenditure the actual expenditure incurred is less than the budget. Shown as a –ve.</p> <p>When referring to income the actual income achieved exceeds the budget. Shown as a -ve.</p>
Unhypothecated Funding	Funding allocated without restrictions on how it should be spent.
Unhypothecated Supported Borrowing	A source of funding from the Welsh Government to finance general capital expenditure. Allocations are issued annually to each local authority as part of the Local Government Financial Settlement. The Welsh Government includes an element within the Revenue Support Grant to fund the cumulative costs of this borrowing that is classed as supported borrowing.

Unsupported (Prudential) Borrowing	Borrowing to fund capital expenditure which exceeds Welsh Government support in the Revenue Support Grant. Councils can choose to fund capital expenditure through Unsupported (Prudential) Borrowing so long as they demonstrate that borrowing is prudent, sustainable and affordable, as the ongoing revenue costs of unsupported borrowing will still need to be met from available resources.
Value for Money	Broadly value for money is the extent to which objectives are achieved in relation to costs. It is about achieving the optimum combination of costs and benefits to an organisation. Value for money is more formally defined as the relationship between economy, efficiency and effectiveness. Economy is the price paid for what goes into providing a service Efficiency is a measure of productivity – how much you get out in relation to what is put in Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.
Variance	Difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected for example projected to the end of the month or financial year.
Virement	The transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.



AUDIT COMMITTEE

Date of Meeting	Wednesday, 29 January 2020
Report Subject	Internal Audit Progress Report
Report Author	Internal Audit Manager
Type of Report	Assurance

EXECUTIVE SUMMARY

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

RECOMMENDATIONS

1	To consider and accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT
1.01	Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts.
1.02	The level of audit assurance for standard audit reviews is detailed within Appendix A. All reports finalised since the last Committee meeting are shown in Appendix B.
1.03	Appendix C provides an oversight to Audit Committee on the cumulative assurance throughout the year; however, it should be noted this will be fluid. A footnote has been included to list those reports issued with a Red/ Amber Red assurance.

1.04	<p>Since the last Committee meeting in November, no Red / Limited assurance report has been issued. Appendix D shows those reports with an Amber Red / Some assurance given. Copies of all final reports are available for Members if they wish to see them.</p>
1.05	<p>The automated tracking of actions is completed through the use of 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. In the event an action is not completed within the agreed date, an e-mail is also sent to the responsible officer, their manager and copied to Chief Officer for awareness. Monthly reports are also sent to Chief Officers informing them of outstanding actions for their teams. The monthly report to Chief Officers now identifies the date of the last update provided (if any) for each action. Each Chief Officer is requested to review this.</p> <p>Appendix E shows the current situation. Of 1191 actions entered into the system, 1035 have been cleared and 156 remain live. There are 88 overdue actions.</p> <p>As agreed at November Audit Committee, only those High or Medium priority actions, which there are 55, are listed in Appendix F and Appendix G lists those actions with a revised due date of six months from the original due date where valid reasons have not been provided on progress or how risks are being managed in the interim.</p>
1.06	<p>At the request of the Audit Committee in November, the Amber/Red report on Alltami Stores and Highways Cost Recovery has been referred to the Environment Overview & Scrutiny Committee and the Chief Officer for this Portfolio has been advised of the Committee's request.</p>
1.07	<p>Appendix H shows the status of current investigations into alleged fraud or irregularities. The table includes the start date of the investigations.</p>
1.08	<p>Appendix I shows the range of performance indicators for the department and you will see improvements on the final figures for quarter 3. However,</p> <ul style="list-style-type: none"> • The number of audits completed within budget has slightly dropped below the target; • The average number of days for departments to return draft reports continue to be below target however this marginal and an improvement on the previous figures reported; • The number of questionnaire returns by Portfolios is slightly below target however this is a significant improvement since the method of reporting the PI was changed in November.
1.09	<p>Appendix J shows the current position of work being finalised from the 2018/19 audit plan and Appendix K shows the current position of the 2019/20 plan. The plan will continue to be reviewed with Chief Officers on a quarterly basis, reprioritised to accommodate any new requests for work,</p>

	<p>or to respond to emerging issues. Since the last Committee in November, there has been no new requests for additional work.</p> <p>In November, I also advised the Committee of the resource position within the team. Since November, three part time employees have all agreed to increase their hours to work full time until the end of March 2020. The additional hours started at the beginning of December 2019.</p> <p>I am also exploring the options to appoint temporary agency staff for a short period of time and I will update the Committee on the outcome of this.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	None as a direct result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

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

5.00	APPENDICES
5.01	<p>Appendix A Levels of Audit Assurance</p> <p>Appendix B Final Reports Issued Since November 2019</p> <p>Appendix C Audit Assurance and Priority of Actions</p> <p>Appendix D Amber Red / Some Assurance Reports Issued since November 2019</p> <p>Appendix E Action Tracking – Portfolio Statistics</p> <p>Appendix F Over Due Actions (including actions older than 6 months if overdue)</p> <p>Appendix G Actions with Revised Due Date Six Months Beyond Original Due Date and Not Overdue</p> <p>Appendix H Investigation Update</p> <p>Appendix I Performance Indicators</p> <p>Appendix J Operational Plan 2018/19 (Carry Forward)</p> <p>Appendix K Operational Plan 2019/20</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Lisa Brownbill, Internal Audit Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: Lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Internal Audit: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</p> <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Operational Plan: the annual plan of work for the Internal Audit team.</p>

Flintshire Internal Audit

Progress Report



January
2020

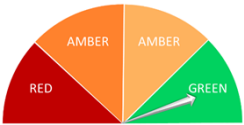
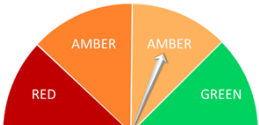
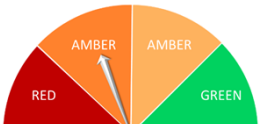

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Levels of Assurance – Standard Audit Reports

Appendix A

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, and summary findings from Amber Red audits will be reported to the Audit Committee.

Level of Assurance	Explanation
<p>Green – Substantial</p> 	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p> <p>Follow Up Audit: 85%+ of actions have been implemented. All high priority actions have been implemented.</p>
<p>Amber Green – Reasonable</p> 	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p> <p>Follow Up Audit: 51-85% of actions have been implemented. All high priority actions have been implemented.</p>
<p>Amber Red – Some</p> 	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p>Follow Up Audits - 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p>
<p>Red – Limited</p> 	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p> <p>Follow Up Audit - <30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p>
<p>Categorisation of Actions</p>	<p>Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses</p>
<p>Value for Money</p>	<p>The definition of Internal Audit within the Audit Charter includes ‘It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.’ These value for money findings and recommendations are included within audit reports.</p>

Final Reports Issued Since November 2019

Appendix B

The following reports and advisory work have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified.

Project Reference	Portfolio	Project Description	Audit Type	Level of Assurance	Actions		
					High	Med	Low
11-2019/20	P&R	Corporate Grants	Risk Based	AR	3	1	1
33-2019/20	H&A	Land - Ownership, Surplus to Requirements and Disposal	Risk Based	AG	0	2	2
46-2018/19	P&R	Main Accounting – AP / P2P	System Based	AG	0	2	3
50-2018/19	Corporate	Voluntary Sector Grants	Risk Based	AG	0	3	3
12-2018/19	H&A	Property Maintenance	Risk Based	G	0	4	0
38-2019/20	Corporate	Budget Planning and Challenge incorporating Method Statements	Advisory	Advisory	-	-	-
30-2019/20	Corporate	Business Planning, Risk & Performance	Advisory	Advisory	-	-	-
	H&A	Supporting People	Advisory	Advisory	-	-	-
	H&A	Technology Forge	Advisory	Advisory	-	-	-

Audit Assurance Summary

Appendix C

Portfolio	Number of Reports & Assurance						Priority & Number of Agreed Actions			
	Red	Amber Red	Amber Green	Green	Advisory / Grant - No Opinion Given	In Total	High	Medium	Low	In Total
Corporate			1		2	3		3	3	6
Education & Youth	1	2	2		1	6	4	14	11	29
Governance		2	1		1	4	2	9	1	12
Housing & Assets			3		3	6		10	8	18
People & Resources		1	3		4	8	3	7	5	15
Planning, Environment & Economy					2	2				0
Social Services				1	2	3			2	2
Streetscene & Transportation		2			1	3	4	6	1	11
External					1	1				0
Total	1	7	10	1	17	36	13	49	31	93

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Footnote:	
Red Assurance:	Argoed High School
Amber Red Assurance:	School Funds – Overall; School Funds – Broughton Primary School; Alltami Stores Follow Up, DPA Act 2018 Compliance; Contract Monitoring; Highways Cost Recovery and Corporate Grants Database

Amber Red Assurance Opinions

Appendix D

People & Resources – Corporate Grants Database 11-2019/20

Areas Managed Well	Areas Identified for Further Improvement
<p>The Corporate Grants Database has a read only facility which can be used by Wales Audit Office and Internal Audit to certify the grant returns.</p>	<p>Opportunities for improvement to the control environment have been identified to ensure compliance is maximised. Our review identified:</p> <ul style="list-style-type: none"> <p>Lack of adherence to the grants procedural manual. Grant Checklists should be fully completed and retained with all of the other grant details in a central accessible place.</p> <p>Agreed Management Action: Grant Checklists have been completed and signed prior to submission to Wales Audit Office as part of the external audit process. All grant checklists will be retained by grants contacts for keeping on file. Separate arrangements are currently in place for the recording of information in relation to grant management activity. The merits of continuing to use of the CGD will be reviewed by Management and with a view to developing an alternative solution for use from 2020/2. Due date for this action: June 2020.</p> <p>The CGD is not consistently utilised and updated on a timely basis.</p> <p>Agreed Management Action: Separate arrangements are currently in place for the recording of information in relation to grant management activity. The merits of continuing to use of the CGD will be reviewed by Management and with a view to developing an alternative solution for use from 2020/21. The current CGD has too many system glitches and poor functionality, hence the reason to move to the new alternative solution as soon as possible. The excel spreadsheet has been created for all Capital Grants. Management Accounting officers are currently working with the Capital Team to progress rolling this out for Revenue Grants. Due date for this action: June 2020.</p> <p>No overall ownership of the recording of grants or documentation to substantiate the grants.</p> <p>Agreed Management Action: Separate arrangements are currently in place for the recording of information in relation to grant management activity. The merits of continuing to use of the CGD will be reviewed by Management and with a view to developing an alternative solution for use from 2020/21. Due date for this action: June 2020.</p> <p>Training should be made available to all Finance staff and managers who complete Grant applications to ensure consistency.</p> <p>Agreed Management Action: The necessary training will be provided with the new alternative CGD solution. e.g. Manager Grants Database workshops. Communication and awareness to be provided to relevant officers in the Portfolios to ensure the requirements for grant funding/bids are known and shared with Finance. Consideration of grant funding streams already forms part of the normal budget monitoring process involving finance and the service lead. Due date for this action: June 2020.</p> <p>Each grant should have a Unique Reference Number which is applied to all documentation for each grant.</p> <p>Agreed Management Action: The new system will ensure consistency of grant title name and unique reference number (URN). Due date for this action: June 2020.</p>

Action Tracking – Portfolio Performance Statistics

Appendix E

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Portfolio	January 2020 Statistics			Live Actions – January 2020				Actions beyond <u>Original</u> due date	
	Number of Actions Raised Since January 2016	Actions Implemented since Jan 2016 <i>(including Actions No Longer Valid)</i>	% of Actions Cleared To Date	Live Actions	Actions Beyond Due Date <i>(excludes Actions with revised due date)</i>			Actions between 6 & 12 months	Actions Greater than 12 Months (13+)
					H	M	L		
Chief Executives *	50	43	87%	7	0	0	0	0	0
Education & Youth	91	82		9	2	6	1	1	0
External *	60	59		1	0	1	0	1	0
Governance *	156	138		18	0	6	0	8	0
Housing & Assets *	160	136		24	0	4	6	6	0
People & Resources	222	194		28	1	4	6	10	0
Planning, Environment & Economy *	90	69		21	3	8	1	8	2
Streetscene & Transportation	111	96		15	4	5	0	4	0
Individual Schools	139	107		32	2	9	19	2	0
Social Services	112	111		1	0	0	0	2	0
Total	1191	1035			156	12	43	33	42
					88				2
					<i>See Appendix F & G</i>				

* Actions removed and relocated within External e.g. Clwyd Pension Fund

* Actions removed from Community & Enterprise and reallocated between Governance, Housing & Assets and Strategic Programmes & Planning, Environment & Economy

High and Medium Actions Overdue

Appendix F

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
Education & Youth									
Youth Justice (2016/17)	2045	Devise a contingency business case to identify and mitigate risks against statutory and non-statutory grants to assist with the business continuity. Review opportunities identified by the external review to develop a succession plan. Approval to be obtained for both of these initiatives from the Chief Executive.	M	31/03/2018	31/10/2018	22	15/08/2019	A Business Case has been submitted to the Chief Officer, Education and Youth and Chief Executive for consideration.	A Business Case has been submitted to the Chief Officer, Education and Youth and Chief Executive for consideration. Discussions has commenced with the Chair of Exec Board but awaiting for final budget confirmation (final grant amount from YJB pending). Discussions ongoing.
School fund 2018/19	2559	School Fund Regulations to be updated to clearly define all school fund governance requirements relating to the management, oversight and reporting of the school fund.	H	31/10/2019	-	3	-	No update	No update
School Fund 2018/19	2561	School fund regulations to be updated and to provide guidance on measures expected to mitigate the risk of loss of funds or fraud.	H	31/10/2019	-	3	-	No update	No update

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School Fund 2018/19	2589	The School Fund Regulations which include the School Fund Constitution appendix to be updated with the purpose of the fund, appropriate expenditure, administration and audit requirements.	M	31/10/2019	-	3	-	No update	No update
School fund 2018/19	2635	The School Fund Regulations should require that a reconciliation be completed yearly to ensure an audit trail is available for the amount transferred from the school fund to the delegated budget and this has been approved by the Governing Body in line with the School Fund Constitution.	M	31/10/2019	-	3	-	No update	No update
School Fund 18/19	2670	The School Fund Regulations to be prescriptive and to advise the reporting period for the school fund. Additionally, a cut off period should also be agreed on when the audited accounts certificate are required to be sent to accountancy. The accountancy team to follow up with the schools which have not adhered to the agreed process and timescales.	M	31/10/2018	-	3	-	No update	No update
Procurement Contract Management 2018/19	2773	Chief Officers will develop Action Plans for each of their portfolios to ensure any issues identified in the reviews carried out (above) are appropriately addressed.	M	31/12/2019	-	0	-	No update	No update

Procurement Contract Management 2018/19	2780	Contract Management outcomes around high / medium risk contracts to feed into Portfolio management reporting structures.	M	31/12/2019	-	0	-	No update	No update
Governance									
Joint Procurement Unit 2017/18	2262	CPU Business Partners will attend Service Senior Management Team meetings quarterly. The Legal and Procurement Operations Manager will attend Senior Leadership Team/Chief Officer Team six monthly. The Legal and Procurement Operations Manager will consider marketing options that are available at each of the Councils to promote the CPU.	M	31/12/2019	-	3	13/01/2020	A meeting still needs to be arranged.	
Procurement Contract Management 2018/19	2713	There is a risk of inadequate contract management around higher risk contracts, and lack of appropriate awareness and monitoring of the risks inherent in the delivery of these contract	M	31/12/2019	-	0	-	No update	No update
Procurement Contract Management 2018/19	2724	The lack of functionality to share performance data has the potential to impact on the appropriateness of procurement spend.	M	31/12/2019	-	0	-	No update	No update
Procurement Contract Management 2018/19	2727	Contract managers are not seeking robust assurances from main contractors around compliance with contract terms	M	31/12/2019	-	0	-	No update	No update

		& conditions re the use of sub-contractors							
Procurement Contract Management 2018/19	2772	Aspects of contractor performance (financial performance; operational performance, etc.) are not always considered as part of the contract management process as performance management frameworks / performance data requirements are not being routinely built into contracts	M	31/12/2019	-	0	-	No update	No update
Procurement Contract Management 2018/19	2779	There is a risk of inadequate contract management around higher risk contracts, and lack of appropriate awareness and monitoring of the risks inherent in the delivery of these contracts.	M	31/12/2019	-	0	-	No update	No update
Housing & Assets									
DFG 2016/17	2058	Not all DFG applications which have been approved are reflected in the DFG spreadsheet which is utilised to track application progress and budget spend. Internal audit were provided with a list of all approved DFGs which was generated from the FLARE system.	M	31/05/2018	30/06/2019	9	19/08/2019	A revised completion date of 30th June is suggested to allow for this work to be completed.	There are still some outstanding issues in relation to budget reconciliation and projections which are currently being addressed.
Homelessness 2018/19	2400	The CRM back office case management system currently does not have reminders or triggers to advise officers which cases are approaching their regulatory timescales. Although	M	30/06/2019	30/11/2019	6	06/08//2019	ICT Business Partner has responded to say this work has been scheduled for completion in October 2019. Have revised	

		this was a requirement submitted to IT as part of the development of the system, conflicting priorities on the IT resource have meant this has yet to be developed.						implementation date to allow for testing before making changes live.	
Procurement Contract Management 2018/19	2777	Aspects of contractor performance (financial performance; operational performance, etc.) are not always considered as part of the contract management process as performance management frameworks / performance data requirements are not being routinely built into contracts	M	31/12/2019	-	0	-	No Update	No Update
Procurement Contract Management 2018/19	2784	There is a risk of inadequate contract management around higher risk contracts, and lack of appropriate awareness and monitoring of the risks inherent in the delivery of these contract	M	31/12/2019	-	0	-	No Update	No Update
People and Resources									
Main Accounting AP & P2P 2017/18	2620	A new system of management oversight will be introduced to review the duplicate process and the performance of the revised systems put in place.	H	30/09/2019	01/10/2019	3	03/10/2019	Discussion time required to ensure the response is attainable and manageable	
Main Accounting AP&P2P 2017/18	2621	Council no longer publish this data but it is available and from 2019/20 it will be included in the Key Performance Indicators reported as part of the MTFS.	M	30/09/2019	01/10/2019	3	03/10/2019	Needs to be discussed further with the Service Managers.	

Occupational Health Unit 2018/19	2499	<p>In the OH draft report, evidence has been provided to support a financial reduction to the provision of counselling.</p> <p>The cost saving has been attributed to the provision of the Employee assistance programme (EAP) Care First.</p> <p>OH plan to relaunch the care first awareness and in particular raise manager awareness of the service.</p> <p>A financial assessment will be undertaken in advance of any decision to provide an OH service to external organisations.</p>	M	30/07/2019	-	5	-	No update	No update
Occupational Health Unit 2018/19	2476	<p>The OHU became a separate entity from Health and Safety in 2017 and this resulted in a number of procedures having to be reproduced or created. The current operational procedures were reviewed and it was identified that some were either out of date or were incomplete. The OHU has since started the process of producing a complete, up to date set of procedures and work is expected to be complete by June 2019.</p> <p>Without correct procedures in place there is a risk that an incorrect action may be taken which could have serious</p>	M	30/06/2019	30/12/2019	6	29/09/2019	<p>Due to staff long term sickness and staff personal issues the policy updates have been delayed.</p> <p>Priority has been given to facilitating clinics and supporting FCC employees</p> <p>The staff sickness absence situation is continuing- in addition we have had annual SEQOHS (safe efficient quality occupational health service) audit- we have uploaded policies to</p>	

		implications (financial, operational) for the OHU.						<p>this site for verification- once we have had content agreed, we plan to update FCC and OH policies folder</p> <p>Once again staff absence has affected the end date for this- I propose a new end date of 23.12.2019 which is realistic and achievable- my team will have a target to complete in a timely manner ensuring accuracy and best practice.</p>	
Procurement Contract Management 2018/19	2778	<p>Whilst Procurement Commissioning Forms require contract managers to assess the level of contract risk at the start of the procurement process (operational risk; financial risk & reputational risk) there are no mechanisms for capturing and reporting on this data, likewise there are no mechanisms in place for identifying and monitoring risk throughout the delivery of the contract.</p> <p>More robust levels of contract management should be evident around high and medium risk contracts, but with no mechanisms for identifying these higher risk contracts it has not been possible to assess the</p>	M	31/12/2019	-	0	-	No Update	No Update

		<p>adequacy of contract management activity in these areas.</p> <p>There is a risk of inadequate contract management around higher risk contracts, and lack of appropriate awareness and monitoring of the risks inherent in the delivery of these contracts.</p>							
Planning, Environment and Economy									
Minerals & Waste Planning 2018/19	2439	<p>As this is a shared service it is important to be able to evidence time spent on specific projects, demonstrating transparency and the ability to reconcile to annual charges / fee charges under PAYG invoicing. This will be especially important where the service seeks to expand into other authorities.</p> <p>The time recording system was replaced in December 2018 due to the decommissioning of an old lotus notes system. Testing of the new system identified that only one out of the six officer is currently completing timesheets and using the new time recording system.</p> <p>There are recognised IT issues and complications with the two members of staff located in Gwynedd County Council who are not currently using the system, one being a Flintshire</p>	H	31/05/2019	31/12/2019	7	-	No Update	No Update

	<p>County Council member of employee and the other a seconded post from Gwynedd County Council to Flintshire County Council. The seconded post does not have access to Flintshire County Council IT systems.</p> <p>However, IT have confirmed that it is possible to raise a helpdesk request to enable collaborative access via the North Wales portal to log into Flintshire County Council IT applications. This will ensure that all team members have access to input the time spent against each project delivered to each partner authority.</p> <p>The Service Manager is unable to use the information within the time recording system to assist in generating invoices, as evidence of actual time spent is not recorded and therefore unavailable. The NWPOG used to receive management information relating to time and cost analysis but this has not been produced since 2012.</p> <p>If the intention of the service is to expand and offer the services to other councils, then an accurate time recording system which clearly identifies the amount of time spent and by whom is fundamental to ensure recharging is accurate and</p>							
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		efficient and Flintshire County Council is at the minimum recouping its costs.							
Minerals & Waste Planning 2018/19	2467	<p>There are two types of charge the fixed contributions and the Pay as you go (PAYG) service.</p> <p>The service is using two PAYG rates currently, these are £250 for PAYG Partners & £350 per day for non-PAYG Partners and more recently procured work and specialist planning appeal work.</p> <p>We are unable to provide assurance whether Flintshire County Council may be subsidising the service financially as there is no meaningful data to be reconciled, to ensure the fees charged actually cover the cost of delivering the service. There is a risk that as there is no auditable evidence of how the team spend their time on individual work across the Partner Authorities, the current invoicing may be inaccurate and Partners may be under or over charged.</p>	H	31/10/2019	-	2	-	No Update	No Update
Minerals & Waste Planning 2018/19	2488	Currently there is no live Service Level Agreement or Contract in place which details the relationship between the partners, how service will be delivered and costs managed. In	H	31/12/2019	-	0	-	No Update	No Update

		<p>particular there is nothing in place to secure the level of contribution made by individual partners nor manage the consequences of these not being paid or reduced.</p> <p>There is a risk that without formal contractual arrangements in place and if partners fail to pay any contributions the service may collapse and Flintshire County Council would be left with staffing and financial issues to deal with.</p>							
<p>Minerals & Waste Planning 2018/19</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 240</p>	<p>2489</p>	<p>A new contract the "The North Wales Regional Minerals and Waste Service Contract" is currently being written which will include a Business Plan.</p> <p>If the foundations of the service are not detailed in writing then the service may fail and the collaboration may collapse. This would leave Flintshire County Council with staffing and financial burdens.</p> <p>A business plan detailing the objectives of the service, its costs and performance measures is useful to ensure strategic objectives are met. This is especially important where a service is seeking to amend or expand its offer. Current partners and potential new clients should be clear as to the services, charges and how</p>	<p>M</p>	<p>31/12/2019</p>	<p>-</p>	<p>0</p>	<p>-</p>	<p>No Update</p>	<p>No Update</p>

		<p>the contractual relationship will be managed.</p> <p>There is also a risk that when the partners are informed of the proposed changes, they may decide to leave the shared service.</p>						
Minerals & Waste Planning 2018/19	2498	<p>Under the current informal arrangement two members of the team have been based in Gwynedd County Council offices since 2011 due to the geographical nature and distance between Gwynedd and Flintshire. Gwynedd County Council's financial contribution towards the shared service is that they cover the salary costs for their seconded member of staff.</p> <p>The Gwynedd member of staff works to Flintshire County Council's terms and conditions. Gwynedd charge Flintshire County Council for the use of the accommodation by the two members of the team which in 2017/18 cost £12,140.00. This charge has increased since 2011.</p> <p>The office recharge is a significant outlay for the service and there is a risk that the apportionment for office costs has not been reviewed since 2011 and may not be accurate.</p>	M	31/07/2019	31/12/2019	5	25/06/2019	<p>A meeting was held between the Service Manager and Head of Planning, Gwynedd Council. The recharge was discussed. The salary uplift remains subject to the Job Evaluation "Single Status" outcome for the Shared Service and neither GCC or FCC has carried out a new job evaluation exercise since the recharge was first calculated. FCC has recently amended its Pay Scales, but is unaltered for the grade assigned to the Senior Planning Officer positions. Given the differential between the GCC and FCC pay rates, the recharge for the uplift from GCC to FCC pay rates is still required. The accommodation and IT hardware/support remains unaltered.</p>

								<p>Following an office rationalisation, the loss of a specific room for the two officers previously based in Bangor has been replaced by alternative office accommodation in Caernarfon, with two dedicated workstations and full GCC IT support. The rate paid was capped for 2018/19 and not uplift was applied. The historic uplift rate by CPI inflation was discussed, given that the overall charge for the Service has not increased by CPI. This was accepted, and any salary uplift recharge moving forward will be by an agreed CPI or a fixed rate for the duration of the new SLA period, and the salary component should only be uplifted in light of nationally agreed pay settlements. This will be set out in the SLA documentation and communications between the Service Manager and GCC Head of Planning.</p>	
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Section 106 2015/16	285	Some update is required to this LPGN to include references to other Supplementary Planning Guidance which has been put in place since the guidance note was adopted (in particular Supplementary Planning Guidance 23 - Developer Contributions to Education). Planning are aware of the need for update, but will need to wait for the outcome of the consultation on the updated Local and Supplementary Planning Guidance Notes and the adoption of this updated guidance before reviewing LPGN 23.	M	31/06/2016	30/06/2019	42	18/12/2018	<p>Clearly 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>Lastly, 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>	
Section 106 2015/16	313	The specifications for on-site play equipment are often challenged by developers, with developers sometimes keen to substitute cheaper equipment (which consequently has an impact on maintenance budgets once the site has been adopted by the Authority). The resulting negotiation of a position acceptable to both the Authority and the developer has an	M	31/07/2016	30/09/2019	42	13/03/2019	The revised SPG has not been completed whilst work on the production of the LDP is prioritised.	

		obvious impact on resources within Leisure services. This issue is caused by ambiguity around equipment specifications within LPGN 13, Open Space Requirements.							
Procurement Contract Management 2018/19	2776	Aspects of contractor performance (financial performance; operational performance, etc.) are not always considered as part of the contract management process as performance management frameworks / performance data requirements are not being routinely built into contracts	M	31/12/2019	-	0	-	No Update	No Update
Procurement Contract Management 2018/19	2783	There is a risk of inadequate contract management around higher risk contracts, and lack of appropriate awareness and monitoring of the risks inherent in the delivery of these contracts.	M	31/12/2019	-	0	-	No Update	No Update
Deferred Charges on Properties 2018/19	2459	There was no formalised and evidenced reconciliation carried out by the Regeneration Programme Lead between the Civica System (or equivalent financial system), the Grants & Loans spreadsheet and Land Registry charge extracts to confirm a charge was in place for all relevant properties. Testing was undertaken to ensure that there was a charge	M	30/04/2019	-	8	25/10/2019	Following the recommendations of Internal Audit a monitoring spreadsheet was created to record Houses to Homes loan application documents. In addition, improved processes have been set up to record and monitor financial information. The monitoring spreadsheet	

		<p>in place for all 2018 grants and loans (this was verified via Internal Audit obtaining Land Registry extracts for all the properties detailed on the Grants and Loans spreadsheet.</p> <p>A formalised and evidenced reconciliation against Land Registry extracts would provide assurances that charges are in place against all relevant properties.</p> <p>This service has transferred over to Community and Business Protection (part of the Planning, Environment and Economy Portfolio) on 1st January 2019.</p> <p>Under these new arrangements the operational responsibilities have been assigned to the Health and Safety Team Leader.</p>						<p>was approved by colleagues from IA and is now being used as template to monitor other property assistance loans products that are provided by FCC.</p>		
Streetscene & Transport										
Alltami Stores Follow Up 2018/19	2657	<p>Sign in and out items from the cages are of the stores. Regular Compliance checks to take place to ensure new processes are being adhered to.</p> <p>IT access reports to be run regularly.</p>	H	01/07/2019	-	6	05/09/2019	<p>During July and August 2019, the cages in the Grounds Shed at Alltami Depot have been cleared out and all items of powered plant and equipment have been recorded on the Plant Inventory for the service and also inspected and HAV tested. Subsequently, the cages have been</p>	<p>Email sent to ICT Services requesting that access is restricted to Stores to designated Streetscene staff only. Also requested automated monthly reports as per internal audit recommendation.</p>	

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								allocated to Highways Areas for the grass cutting teams and area team has its own cage and own allocated plant and equipment. All the locks have been changed on the cages and are now controlled by Stores with a daily signing out/in process each morning and afternoon when the crews leave and return to the depot.	
Highways Cost Recovery 2019/20	2720	The documented procedures show that it is the responsibility of the inspections team to attend reported incidents and complete the Rechargeable Works Order (RWO) forms. This information includes details of liable parties, vehicle registration details and actual costs to repair the damage. It is the responsibility of the administration team to identify the responsible parties through contact with the police / DVLA and via letters. The administration team are responsible for making contact with the liable parties as well as sending and pursuing invoices for cost recovery. Discussions were held with members from both teams and testing has identified that there was a breakdown in the process	H	31/12/2019	-	0	-	No Update	No Update

		<p>and inconsistent understanding of responsibility for issuing invoices.</p> <p>There is a risk to the Council that a significant amount, potentially up to £100k, of income due may not have been recovered due to the processes not being followed.</p>							
Highways Cost Recovery 2019/20	2721	<p>All reports of damage are recorded on a spreadsheet which includes details of the incident, inspection, police / DVLA contact, communication with responsible persons, invoicing and claim status.</p> <p>We reviewed the spreadsheet for outstanding claims for rechargeable works from April 2018 to May 2019 where a total of 85 incidents were reported.</p> <p>Testing has identified significant concerns that recovery costs are not being recorded, invoiced, not generated and pursuance not made.</p> <p>There is a risk that the service may have failed to recover income due to Council incidents are not managed appropriately in line with the procedure within a reasonable time frame.</p>	H	31/12/2019	-	0	-	No Update	No Update
Highways Cost Recovery 2019/20	2725	<p>The master spreadsheet used for monitoring rechargeable works includes a report tab which summarises incidents submitted,</p>	H	31/12/2019	-	0	-	No Update	No Update

	<p>processed, estimated and invoiced.</p> <p>The spreadsheet report identifies £33,375.17 has been invoiced for the 2018/19 financial year.</p> <p>We reconciled the accounting records for the same period and these records show that invoices totalling £8,264.41 have actually been raised, resulting in a variance of £25,110.76. The accounting records also show that no invoices have been raised for the current financial year (up to August 2019).</p> <p>Management advise that the data held in the reporting tab is shared with senior management on a regular basis. We were unable to determine when this data was last shared as a documented report is not produced.</p> <p>We reviewed all the incidents with actual values recorded (55%) on the spreadsheet and identified that potentially £37,452.48 could be recovered for the 2018/19 financial year. We would also note that the report tab has not calculated incidents after March 2019.</p> <p>Management does not reconcile the spreadsheet with the accounting records on a regular basis, therefore, there is a risk that management reporting is</p>							
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		inaccurate in reporting that £33,375.17 has been invoiced for the 2018/19 financial year when actually only £2978.18 had been invoiced.							
Highways Cost Recovery 2019/20	2717	<p>In order to identify the actual costs for repairs undertaken, the service uses an electronic Rechargeable Works Order (RWO2) form. This record contains a list of works and costings which Supervisors can use to establish the resources and equipment used following an incident and the rates for the item is calculated automatically.</p> <p>Testing identified that the schedule of rates contained within the spreadsheet has not been updated. There is a risk that as a consequence the service is failing to recover the actual costs incurred resulting in a loss of income to the Council.</p>	M	31/12/2019	-	0	-	No Update	No Update
ITU Procurement of Contracts 2017/18	2284	The team will be undertaking proactive monitoring of suppliers.	M	31/08/2019	-	4	01/11/2019	Routine monitoring of routes now undertaken by ITU officers.	Schedule from November 2019 attached. Monitoring is recorded and saved in a tab on the attached spreadsheet and any penalty points issued recorded
ITU Procurement of Contracts	2287	Submissions from new suppliers can be sent at any time during the six year DPS project. There	M	30/06/2019	-	6	-	No Update	No Update

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2017/18		<p>is an obligation to evaluate these responses within 10 working days. If a company is successful they are added into the contract and will automatically receive notifications of mini competitions or RFQ's going forward.</p> <p>The respective service area will be notified of all suppliers who have been approved and it will be their responsibility to ensure that the suppliers have been added to the contract.</p>							
Procurement Contract Management 2018/19	2775	Aspects of contractor performance (financial performance; operational performance, etc.) are not always considered as part of the contract management process as performance management frameworks / performance data requirements are not being routinely built into contracts (see further details at finding	M	31/12/2019	-	0	-	No Update	No Update
Procurement Contract Management 2018/19	2782	There is a risk of inadequate contract management around higher risk contracts, and lack of appropriate awareness and monitoring of the risks inherent in the delivery of these contracts.	M	31/12/2019	-	0	-	No Update	No Update
External									
CPF Investment	1943	Due to the size of the team and specific role profiles, there is an	M	31/12/2017	31/12/2019	5	03/10/2019	Work is continuing with HR for a revised	

2016/17		inherent risk for the potential for single points of failure relating to the delivery of the service. This could pose a risk of business continuity due to long term absence or attrition. There is no Operational Plan for the service delivery.						structure to the section which will accommodate the ongoing needs of the section. The 2018/19 Business Plan includes a structure review of the Finance Team. Work is still on-going with HR to finalise the structure and carry out recruitment. This should be substantially complete in Q1 2018 but full completion may take to Q3 2018. In the meantime, the risks are being managed by outsourcing essential work to third parties.	
Schools									
School Fund – Argoed High School 2018/19	2676	School fund mandates to be rectified to reflect current business practice. Future changes to school fund mandates to be reviewed and updated prior to personnel leaving the role/school. School to keep a copy of their school fund mandate on file and should review it annually.	H	30/09/2019	-	1	04/10/2019	Evidence provided is not sufficient to close the action. As advised previously we would require a copy of the bank mandate. E-mail sent to business manager to advise.	
School Fund – Broughton Primary	2682	School fund mandate to be reviewed and updated prior to personnel leaving the role/school. Only one cheque	H	30/09/2019	-	1	-	No update	No update

2018/19		book to be used at a time and this should be kept in a locked safe.							
Risk Based Thematic Review 2018/19 - Ysgol Merllyn	2524	The school will ensure that an appropriate person is appointed to the role of Data Protection Officer in line with the Act.	M	31/07/2019	-	3	-	Update from Tracy Jones 05/11/19 - multiple attempts made to contact Dave Bridge but no contact/SLA received.	No DPO in place
Risk Based Thematic Review 2018/19	2548	The school will contact their Data Protection Officer and arrange for an Information Asset Register to be in place.	M	31/10/2019	-	0	-	No update	No update
School Fund – Argoed High School 2018/19	2677	Argoed to ensure a school fund constitution is approved by the governing body, controls are in place to demonstrate adherence and is reviewed yearly to ensure it is fit for purpose.	M	30/09/2019	-	3	04/10/2019	The school fund constitution provided as evidence is still out of date and it still has the previous business manager listed. Additional queries have been raised in relation to when it was approved by the governing body and whose signature it is on the form. The action will remain open.	
School Fund – Ewloe Green 2018/19	2672	The lack of prescription in the Regulations and absence of procedural documents at the schools means there is a risk staff are not clear as to the key controls which need to be in place to ensure the school fund is being used appropriately	M	31/12/2019	-	0	-	No Update	No Update

		particularly in the event a business manager/secretary were absent or due to leave the post.							
School Fund – Broughton Primary 2018/19	2683	There is a risk that the school fund is not being effectively scrutinised by the head teachers nor reported regularly to Governing Body or parents across the school year.	M	31/12/2019	-	0	-	No Update	No Update
School Fund – Broughton Primary 2018/19	2684	Broughton Primary school to document the procedures followed in relation to the management of the school fund. This should include actions completed, owners, reporting and reconciliation requirements as well as approval mandates.	M	30/09/2019	-	1	-	No update	No update
School Fund – Gwynedd School 2018/19	2688	There is a risk that the school fund is not being effectively scrutinised by the head teachers nor reported regularly to Governing Body or parents across the school year.	M	31/12/2019	-	0	-	No Update	No Update
School Fund – Gwynedd School 2018/19	2689	The absence of procedural documents at the school means there is a risk that roles and responsibilities are not clearly understood and school staff are not clear as to the key controls which need to be in place to ensure the school fund is being used appropriately particularly in the event a business manager/secretary were absent	M	31/12/2019	-	0	-	No Update	No Update

		or due to leave the post.							
School Fund – Ewloe Green 2018/19	2671	<ul style="list-style-type: none"> •The balance of the School Fund to be reported to the governing body regularly as well as parents. •Head teachers to review the reconciliation of the funds accounts on a monthly basis and to sign and date the statements and income and expenditure forms reviewed. 	M	31/10/2019	-	2	-	No update	No update

Actions with a Revised Due Date Six Months Beyond Original Due Date and Not Overdue

Appendix G

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Governance									
Joint Corporate Procurement Unit 2017/18	2253	Our review of Governance arrangements identified; <ul style="list-style-type: none"> •There is inadequate scrutiny of JCPU objectives and outcomes by Joint Procurement Board (JPB) and by relevant Council committees to address lack of progress with achieving the primary objectives of the JCPU business case around Efficiency, Capacity and Markets (1.1). •Delays in the alignment of procurement strategy and procurement activity 	M	31/10/2018	21/12/2019	13/06/2020		CPRs have been re drafted and are being considered by Chief Officer Governance	Final draft of CPR's is done. I am waiting for the Brexit legislation to come out to confirm the position for the transitional 12 months. It was agreed that until the results of the election we would hold fire because we did not know whether we would even be leaving the EU or if we left would it be with a deal. It seems likely that we will have a transition of 12 months and then leave, and break away from the EYU rules on procurement, in which case the revised CPR's need

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Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 256</p>		<p>across the two Councils. Recent changes, e.g. board membership and corporate priorities, means that the strategy contains out of date information (1.2).</p> <ul style="list-style-type: none"> • Limited processes in place for measuring and recording efficiency savings achieved through collaborative procurement. There is no evidence that efficiency savings and benefits have been reported to the JPB (1.3). • Limited evidence of reporting of KPI's to the JPB / no robust targets in place for KPI's (1.4). • Insufficient systems for recording and monitoring the split of procurement staff time across the two Councils (1.5). • Meetings of the JPB not taking place on 							<p>some changes to reflect this and also to allow consequential changes to be made by the Chief Officer for Governance upon the UK leaving the EU for good.</p>

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 257</p>		<p>a regular basis, agendas for the JPB meetings not prepared and circulated in advance of meetings and JPB minutes not available for all meetings / minutes not circulated on a timely basis (1.6).</p> <ul style="list-style-type: none"> Limited monitoring and evaluation of expenditure by category and aggregated spend (across services and/or Councils) by the JCPU to ensure opportunities for efficiency savings through collaborative procurement exercises are identified (1.7). Due to limited availability of data, monitoring of contract end dates by the JCPU cannot take place to ensure opportunities for 							

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		efficiency savings through collaborative procurement or alternative procurement models are appropriately explored (1.8).							
Legal Case Management System 2017/18 Page 258	2361	Discussions were held with the Legal Services Manager and it became apparent that checks had not been undertaken by Legal Services to ensure that the Iken system is compliant with the General Data Protection Regulations (Data Protection Act 2018).	M	30/11/2017	31/03/2020	13/01/2020	The upgrade to the iken case management system has now taken place, however there are ongoing user issues which need to be resolved.	In addition the training around the updated modules had to be delayed due to the availability of the trainer from iken, which has had to be put back again until earlier March 2020	
Legal Case Management System 2017/18	2212	There are two procedural guides available for the users of the Iken System namely: the Iken Basic Training Manual 2015 (produced by Iken) and the Iken Protocol 2016 (in house document). Discussions were held with users of the system and it was	M	31/03/2019	21/03/2020	12/01/2020	The iken upgrade was implemented early Nov but it has created a vast amount of user issues. We are trying to resolve these issues and we are unable to create user guidance until these are resolved as the same will depend on the resolution and the system working correctly.	We are implementing an upgrade so will align the guidance with this. The upgrade has been implemented but has created a vast amount of user issues which need to be resolved before the guidance can be prepared.	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 259		noted that only 1/5 were aware of the existence of any procedural guidance. It was also clear from audit testing that there were inconsistencies in the way that officers use the system with some officers being unclear as to which parts of the system they were supposed to be using e.g. court bundling							
	Legal Case Management System 2017/18	2230	Discussions were held with the Legal Services Manager as to what the purpose and objectives are for using the Iken System. There were no documented objectives and purposes in existence.	M	21/01/2019	31/03/2020	13/01/2020	There is an iken user guide which is point of reference but for the internal protocol the issues need to be resolved.	Upgrade in system has created user issues and currently the objectives have had to take a back step whilst the user issues are being resolved
	Legal Case Management System 2017/18	2210	Of those legal officers interviewed the majority stated that they had received training in various formats. However, it was apparent from other areas of audit	L	31/03/2019	31/03/2020	13/01/2020	Iken upgrade has been implemented and training of part of the team has taken place. However some training sessions were delayed due to the availability of the trainer and these are being rearranged	We are implementing an iken upgrade and as part of that training is available from iken to all users. Any users not available at the time that the training is being given will be provided

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		testing that legal officers are not all using the Iken System consistently i.e. not all legal officers record all their chargeable time on the System.					for early March 2020.	with in-house update training	
People & Resources									
Payroll 29/7/18 Page 260	2218	<p>Data Protection and GDPR Compliance</p> <p>A process to remove leaver information from i-Trent in line with the Retention Policies and GDPR has not been implemented.</p> <p>Management have not been able to provide a detailed plan of what activities have been completed to assist with demonstrating adherence to Data Protection requirements. The consequence to the Council of non-compliance will be greater with the introduction of GDPR in May as the Council may be subject to</p>	H	30/09/2018	31/01/2020	19/08/2019	The functionality still requires testing, further issues/defects may be found during testing and would need reporting to MHR for their investigation. I have requested 30.04.18 to take into account that possibility.	Conflicting priorities within the team continue to prevent the required further testing of the MHR GDPR software being fully undertaken. Pauline (Connolly) has identified a potential defect and has raised the issue with MHR.	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		finances.							
School Funding Formula 2018/19	2348	<p>A revised consistent approach will be adopted with the individual school budgets and where estimated figures are included these will be stated as such.</p> <p>The examples stated are not incorrect, depending on the timing of the production of the budget plan may or may not include NNDR and ALN. It is a matter of presentation.</p> <p>ALN funding has been delegated to schools for 3 years. There are no plans to change the way ALN is allocated – the methodology has been negotiated and agreed with schools and the Schools Budget Forum by the Head of the Inclusion Service.</p>		31/03/2019	31/01/2020	26/09/2019	Due to review with auditor (Jan).	Work on this continues however it will not be introduced to schools until the start of the spring time to take account of the busy times within the school year.	Work on this continues however it will not be introduced to schools until the start of the spring time to take account of the busy times within the school year.

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Planning and Environment									
Section 106 Follow Up 2017/18 Page 262	2232	The Section 106 working group was tasked with considering; 'Section 106 linkages across the Authority, the information needs of each service area, and the information currently held by service areas to determine where there is scope for efficiencies through the sharing of information (including the scope for sharing information on the Planning DEF database)'. The potential for use of the DEF system to manage s106 balances was considered and subsequently discounted. A piece of work was subsequently undertaken to look at other systems which could be used for the management of s106 balances (together with	M	31/10/2018	30/09/2019	13/03/2019	Business case for the new back office has been developed and procurement is underway with a view to implementing in September 2020.	Business case for the new back office has been developed and procurement is underway with a view to implementing in September 2020.	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 263</p>		<p>the management and enforcement of all legal agreements across the portfolio).</p> <p>A capital bid was submitted for new software in December 2017 but was not successful.</p> <p>In the absence of a central system for the management of s106 balances, suites of spreadsheets are maintained by services impacted by s106 across the Council. Whilst the primary spreadsheet is maintained by Finance, s106 spreadsheets are also maintained by Planning Enforcement and Education (as the data they require differs from the data maintained by Finance).</p> <p>Whilst the use of spreadsheets within each service ensures appropriate management of s106</p>							

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		balances there is clearly duplication of effort and scope for the achievement of further efficiencies through the streamlining of processes.							
Streetscene and Transport									
IT Procurement of Contracts 2017/18	2278	A review of the work undertaken to procure all 350 transport contracts in 2017 identified concerns in how each key stage was managed. Whilst it is acknowledged that the scale of this procurement exercise was sizable due to the need to align historic and legacy contracts with Council procedural rules. Significant delays occurred at different stages of the exercise. The initial pre-qualification stage, the route optimisation process and the awarding of contracts were all delayed with each stage having a	H	30/06/2019	29/02/2020	04/11/2019	Planning meeting scheduled to discuss preparation & timescales of the renewal of the DPS Meeting scheduled 12.02.2020		

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		knock on effect to the next continuing stage.							

Investigation Update

Appendix H

Ref	Date Referred	Investigation Details
1. New Referrals		
		Nil received

2. Reported to Previous Committees and still being Investigated		
2.1	25/05/2019	An allegation has been received concerning the governance arrangement of the Governance Body at a School. The investigation is ongoing.
2.2	25/05/2019	A referral was received concerning the job evaluation of a position. The investigation is ongoing.
2.3	25/05/2019	Internal Audit has been asked to look into a license agreement. The investigation is ongoing.
2.4	25/05/2019	Planning Application. The investigation is ongoing.
2.5	16/10/2018	A complaint was received concerning the awarding of contracts where there is a potential conflict of interest of a member of staff with a contractor. The investigation is ongoing.
2.6	20/08/2018	An allegation was received concerning the awarding of work to a company being run by a former employee of the Authority. The investigation is ongoing.

3. Investigation Completed		
3.1	A referral has been received concerning the accuracy of an individual’s employment records. Internal Audit provided assistance to analyse the data. Findings have been reported to management. The case is with management for further action.	

Internal Audit Performance Indicators

Appendix I

Performance Measure	Qtr 1 19/20 <small>(as at 24/5)</small>	Qtr 2 19/20 <small>(as at 19/8)</small>	Qtr 3 19/20 <small>(as at 4/11)</small>	Qtr 3 19/20	Target	RAG Rating	
Audits completed within planned time	80%	89%	83%	78%	80%	A	↓
Average number of days from end of fieldwork to debrief meeting	10	6	19	9	20	G	↑
Average number of days from debrief meeting to the issue of draft report	4	18	9	4	5	G	↑
Days for departments to return draft reports	6	0	18	9	7	R	↑
Average number of days from response to issue of final report	3	1	4	2	2	G	↑
Total days from end of fieldwork to issue of final report	22	33	50	27	34	G	↑
Productive audit days	78%	67%	83%	83%	75%	G	→
Client questionnaires responses as satisfied	100%	100%	91%	93%	95%	A	↑
Return of Client Satisfaction Questionnaires to date	40%	0%	73%	75%	80%	A	↑

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

Internal Audit Operational Plan 2018/19 – Carry Forward

Appendix J

Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
Housing & Assets			
Property Maintenance	M	Complete	
Technology Forge (TF)	M	Complete	
People & Resources			
Main Accounting - Accounts Payable (AP) and P2P	Annual	Complete	
Planning, Environment & Economy			
Disabled Facility Grants (DFGs)	Follow Up	Complete	Oversight board
Social Services			
Safeguarding - Children's	M	Draft Report Issued	
Streetscene & Transportation			
Fleet Management	M	Draft Issued	Additional work requested and currently in progress
Regional Transport	M	In Progress	

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Internal Audit Operational Plan 2019/20

Appendix K

Audit	Priority	Status of Work	Supporting Narrative
Corporate			
Income from Fees and Charges / Efficiency Savings	H	Defer to 20/21	Will be undertaken qtr 1 on 202/21 due to the work already taking place.
Business Planning, Risk & Performance Management	H	Complete	To include Impact Assessments
Voluntary Sector Grants - Revised Funding Arrangements	H	Complete	
Integrated Impact Assessments	M	Combine	Combine with Business Planning, Risk & Performance Management Audit
Business Continuity	M	Defer to 20/21	Defer to 1 QTR of 20/21
Use of Consultants	Annual	Complete	
Education & Youth			
Schools Admissions, Allocation, Unfilled Places, Change in Demographics	H	In Progress	
Schools Budgeted Licenced Deficit	H	In Progress	
Early Entitlement	M	Not Started	Quarter 4
Risk Based Thematic Reviews	Annual	Draft Report	
Education Grant – Education Improvement Grant (EIG)	Annual	No Longer Required	As confirmed by GWe
Education Grant – Professional Development Grant (PDG)	Annual	Complete	
Education Grant – School Uniform Grant	Annual	Complete	
Governance			
Procurement Hardware and Software	H	Not Started	Quarter 4
Community Benefits (Social Value)	H	Defer to 20/21	Defer until 1QTR of 20/21
Enforcement Agents	M	Defer to 20/21	Defer until 1QTR of 20/21
Digital Strategy	Advisory	On going	
PCIDSS Compliance - Follow Up	Follow Up	Not Started	Quarter 4
Data Protection (GDPR) Compliance	Annual	Not Started	Quarter 4
Council Tax and NNDR (incl. grant)	Annual	Not Started	Quarter 4
Housing & Assets			
Housing Rent & Arrears - (and impact of UIC)	H	Defer to 20/21	Defer until 1QTR of 20/21 due to WAO Audit

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Audit	Priority	Status of Work	Supporting Narrative
Land - Ownership, Surplus to Requirements & Disposal	H	Complete	
Right to Buy (buyback) / Home Loans	M	Not Started	Quarter 4
Housing Benefits (including Subsidy Grant)	Annual	Not Started	Quarter 4
Care and Repair SLA	New	No Longer Relevant	Confirmed by the Department
Framework Value for Money	New	No Longer Relevant	Confirmed by the Department
Supporting People (grant)	Grant	Complete	
Support People (grant claim assurance)	Grant	Complete	
Voids – Lean Process	New	Complete	Commissioned work
SARTH	Follow Up	Not Started	Quarter 4
People & Resources			
Corporate Grants	H	Complete	
Capital Programme	H	In Progress	
Write Offs	M	Defer to 20/21	Defer to 20/21
Financial Management Accounting within Portfolios	M	Complete	
Main Accounting - Accounts Payable (AP) and P2P	Annual	Defer to 20/21	Defer to 20/21 as agreed by S151 Officer & WAO
Main Accounting - Accounts Receivable (AR), incl. Corporate Debt Mgt	Annual	Defer to 20/21	Defer to 20/21 as agreed by S151 Officer & WAO
Main Accounting - General Ledger (GL)	Annual	Not Started	Quarter 4
Method Statements	Advisory	Combined	Combined with Budget Planning Challenge Audit
Budget Planning Challenge	Advisory	Complete	
Corporate Credit Cards	New	Complete	
Notification of Leaver to Clwyd Pension Fund	H	Combined	Combined with Payroll Audit
Pay Deal 19/20	H	Complete	
Project Apple	H	Combined	Combined with Payroll Audit
Organisational Ethics and Values	M	In Progress	Quarter 4
Payroll	Annual	Not Started	Quarter 4
Planning, Environment & Economy			
Communities4work (grant) & C4W Plus Grant	H	Complete	
Flood Alleviation Scheme	H	Not Started	Quarter 4

Audit	Priority	Status of Work	Supporting Narrative
Pest Control	H	Defer to 2020/21	Defer to 20/21
Climate Change / Carbon Reduction	M	In Progress	Quarter 4
Planning Enforcement – Governance & Regulatory Procedures	New	Not Started	Quarter 4
Home Improvement Loans	M	Completed	
Social Services			
Flying Start - WG Funding	H	Draft Report	
Foster Care (Payments to Carers)	H	Not Started	Quarter 4
Sessional work	H	Not Started	Quarter 4
Collaborative Work / Partnerships	M	Defer to 20/21	Defer – The service is not in position to progress
Client Finance, (Deputyship) Receivership & including Community Living	M	Not Started	Quarter 4
Streetscene & Transportation			
Highways - Condition of infrastructure	H	Completed	
Concessionary Travel including Bus Services Support (grant)	H	In Progress	
Parc Adfer	H	Defer to 20/21	Defer to Qtr1 2020/21 due to delay in commission
School Bus Passes	H	In Progress	
Licence	M	Defer to 20/21	Defer to 1QTR of 20/21
Community Transport	M	In Progress	
Garden Waste Charges Analysis	New	Complete	
Waste Management Service	M	Defer to 20/21	Defer to 2QTR of 20/21 due outcome of public consultation
External			
North Wales Residual Waste Project - Contract Management	H	Defer to 20/21	Defer to Qtr1 2020/21 due to delay in commission
Pensions Administration & Contributions	H	In Progress	
SLA - Aura - 13 days	Annual	Complete	
SLA - Aura - 7 days	Annual	Defer to 20/21	Deferred at the request of the service
SLA - NEWydd - 10 days	Annual	Not Started	Quarter 4
Advisory / Project Groups			
New Flare System Development Group	Ongoing	Not Started	
Corporate Governance Working Group	Ongoing	Ongoing	
Accounts Governance Group	Ongoing	Ongoing	

Audit	Priority	Status of Work	Supporting Narrative
Financial Procedures Rules	Ongoing	Complete	
E Procurement Working Group	Ongoing	Complete	
Programme Coordinating Group	Ongoing	Ongoing	
Corporate Health & Safety Group	Ongoing	Ongoing	
Corporate Data Protection Group	Ongoing	Ongoing	
County Hall Campus Working Group	Ongoing	No Longer Required	No Longer Required
North Wales Residual Waste Project	Ongoing	Ongoing	
Financial System	Ongoing	Defer	Defer to 20/21

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Glossary	
Risk Based Audits	Work based on strategic and operational risks identified by the organisation in the Improvement Plan and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.
Annual (System Based) Audits	Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.
Advice & Consultancy	Participation in various projects and developments in order to ensure that controls are in place.
VFM (Value For Money)	Audits examining the efficiency, effectiveness and economy of the area under review.
Follow Up	Audits to follow up actions from previous reviews.
New to Plan	Audits added to the plan at the request of management. All new audits to the plan are highlighted in red.
Audits to be Deferred	Medium priority audits deferred. These audits are highlighted in green within the plan.



AUDIT COMMITTEE

Date of Meeting	Wednesday, 29 th January 2020
Report Subject	Action Tracking
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

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

RECOMMENDATIONS

1	The Committee is requested to accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE ACTION TRACKING REPORT
1.01	In previous meetings, requests for information, reports or actions have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them. Full action tracking details within Appendix A.
2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

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

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

5.00	APPENDICES
5.01	Appendix A – Action Points.

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

7.00	GLOSSARY OF TERMS
7.01	None.

AUDIT COMMITTEE – ACTION SHEETPresented Wednesday, 29th January 2020

10 th September 2019				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
29	Strategic Risk Management Update	That the Committee receives a revised version of the Risk Management Strategy at the next meeting.	K Armstrong	This will be provided to the January 2020 Audit Committee.

20 th November 2019				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
37	Minutes 11/09/19	To update the Committee on the current debt owed by the Local Health Board.	C Everett / G Ferguson	Accountancy have confirmed that the latest position of the Local Health Board's outstanding debt will be shared with members of the committee prior to the next meeting in January.
38	School Reserve Balances y/e 31/03/19	To circulate the revised Protocol for Schools in Financial Difficulty to the Audit Committee	L Morris	The revised protocols for Schools In Financial Difficulty was emailed to all members of the Committee on 21/11/19.
38	School Reserve Balances y/e 31/03/19	To formally request that all schools put the revised Protocol for Schools in Financial Difficulty on their next agendas with governing bodies.	C Homard / L Morris	All schools were emailed on the 28/11/2019 requesting that the revised Protocol for Schools in Financial Difficulty is included on

				the agenda for their next Governing Body committee.
44	Contract Management	That a follow-up report be included in the 2020/21 Audit Plan to be brought back to the Committee as a formal report.	L Brownbill	A follow up audit on Contract Management will be include within the 2020/21 Annual Plan and a report will be brought back to committee once completed.
46	Internal Audit Progress Report	That future progress reports be condensed to include details of overdue actions on only high and medium priority actions and any areas where valid reasons had not been provided for actions older than six months and overdue.	L Brownbill	The report for January 2020 has been amended to reflect the changes discussed during the November meeting.
46	Internal Audit Progress Report	That the amber/red report on Alltami Stores and Highways Cost Recovery be referred to the Environment Overview & Scrutiny Committee.	L Brownbill / S Jones / M Parry-Jones	This request has been referred to Democratic Services for inclusion within the Environment Overview & Scrutiny forward work programme. The Chief Officer for this service has also been updated regarding this request.



AUDIT COMMITTEE

Date of Meeting	Wednesday, 29 January 2020
Report Subject	Forward Work Programme
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

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

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

REPORT DETAILS

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

1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"> 1. Will the review contribute to the Council's priorities and/or objectives? 2. Is it an area of major change or risk? 3. Are there issues of concern in governance, risk management or internal control? 4. Is it relevant to the financial statements or financial affairs of the Council? 5. Is there new government guidance or legislation? 6. Is it prompted by the work carried out by Regulators/Internal Audit? 		
1.03	<p>Following the Committee meetings November there has been one movement in the forward work programme.</p>		
	Report	Reason for Movement	New Report Date
	Risk Management Update	<p>The Council has an established risk strategy. To both improve professional practice and achieve a higher level of consistency in the implementation of the strategy we are developing a practical risk management framework. This work is informed by the advisory report of the Internal Audit team. The Chief Officer Team is reviewing a detailed action to ease the framework in for the new financial year. An update will be provided to the Committee at its March meeting.</p>	March 2020

2.00	RESOURCE IMPLICATIONS
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2.01	None as a result of this report.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	Publication of this report constitutes consultation.
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4.00	RISK MANAGEMENT
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4.01	None as a result of this report.
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5.00	APPENDICES
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5.01	Appendix A - Draft Forward Work Programme.
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Lisa Brownbill Internal Audit Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Governance - The system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Risk Management - The process of identifying risks, evaluating tier potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences 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.</p> <p>Internal Control - Appropriate procedures and processes are in place to mitigate any risk which may prevent the organisation from achieving its objectives and service delivery.</p> <p>Financial Management - The planning, organising, directing and control the financial activities of the Council to ensure sufficient resources are available to delivery its intended outcomes.</p> <p>Wales Audit Office - Works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

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AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2019/20Presented to Committee – Wednesday, 29th January 2020

Meeting Date	Agenda Item	Author
29th January 2020	Treasury Management 2019/20 Q3 Update and 2020/21 Strategy Code of Corporate Governance Financial Procedural Rules (Biennial) Annual Audit Letter Internal Audit Progress Report 2019/20 Audit Committee Action Tracking Forward Work Programme	Liz Thomas Lisa Brownbill Gary Ferguson / Sara Dulson Gary Ferguson Lisa Brownbill Lisa Brownbill Lisa Brownbill
25th March 2020	Treasury Management 2019/20 Q4 Update Risk Management Update Audit Plan (WAO) Annual Report on External Inspections 2018	Liz Thomas Karen Armstrong / Jay Davies WAO Karen Armstrong

Meeting Date	Agenda Item	Author
	Certification of Grants and Returns Report (WAO) Internal Audit Strategic Plan 2020/2023 Public Sector Internal Audit Standards Compliance 2019/20 Internal Audit Progress Report 2019/20 Audit Committee Action Tracking Forward Work Programme Private Meeting (WAO and Internal Audit)	Gary Ferguson Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
June 2020	Draft Annual Governance Statement Internal Audit Annual Report 2019/20 Internal Audit Progress Report 2020/21 Audit Charter Audit Committee Action Tracking Forward Work Programme	Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
July 2020	Treasury Management 2020/21 Q1 Update and Annual Report 2019/20 Supplementary Financial Information to Draft Statement of Accounts 2019/20	Liz Thomas Liz Thomas

Meeting Date	Agenda Item	Author
	Risk Management update 2020/21	Karen Armstrong
September 2020	Statement of Accounts 2019/20 Annual Improvement Report (WAO) (2019/20) Audit Committee Annual Report Internal Audit Progress Report 2020/21 Audit Committee Action Tracking Forward Work Programme	Gary Ferguson Karen Armstrong Cllr Chris Dolphin / Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
November 2019	School Reserves – Annual Report on School Balances Estyn Report Contract Management Asset Disposals and Capital Receipts Grant Claim Certification Treasury Management 2019/20 – Mid Year Report Risk Management Update – Mid Year Report Financial Procedural Rules Use of Consultancy Report	Claire Homard / Lucy Morris Claire Homard Gareth Owens Neal Cockerton Gary Ferguson Liz Thomas Karen Armstrong Sara Dulson Colin Everett

Meeting Date	Agenda Item	Author
	Internal Audit Progress Report 2019/20	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill

Biennial Reviews

Meeting Date	Agenda Item	Author
January 2021	Anti-Fraud and Corruption Strategy & Fraud Response Plan	Lisa Brownbill
January 2021	Whistleblowing Policy	Lisa Brownbill
January 2021	Financial Procedural Rules (Biennial)	Sara Dulson