

Barry Davies LL.B (Hons)
Solicitor/Cyfreithiwr
Head of Legal and Democratic Services
Pennaeth Gwasanaethau Cyfreithiol a
Democrataidd



TO: Councillor: Ian Roberts (Chairman)
Councillors: Haydn Bateman, Quentin Dodd, Alison
Halford, Billy Mullin, Mike Peers, Peter Pemberton

Your Ref /
Eich Cyf

ur Ref / Ein Cyf ^{ST 0}

Date / Dyddiad 23/09/2010

Ask for / Gofynner am Sharon Thomas

Direct Dial / Rhif Union 01352 702324

Fax / Ffacs

Dear Sir / Madam,

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD** on **WEDNESDAY, 29 SEPTEMBER 2010** at **10:00** to consider the following items.

Members are requested to bring with them to the meeting the Statement of Accounts report which was issued under separate cover on 20 September 2010.

Yours faithfully

Democracy and Governance Manager

AGENDA

1. **APOLOGIES**
2. **MINUTES**
To confirm as a correct record the minutes of the meetings held on 28/06/2010 and 12/07/2010 (copies enclosed).
3. **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
4. **STATEMENT OF ACCOUNTS 2009/10**
Report of Head of Finance enclosed

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

5. **REPORT BY WALES AUDIT OFFICE (WAO) - AUDIT OF ACCOUNTING STATEMENTS (ISA 260)**
Report of Head of Finance enclosed
6. **TREASURY MANAGEMENT UPDATE**
Report of Head of Finance enclosed
7. **RISK MANAGEMENT UPDATE**
Report of Chief Executive enclosed
8. **FINANCE FUNCTION REVIEW - REVIEW OF INTERNAL AUDIT**
Report of Head of Finance enclosed
9. **THE USE OF CONSULTANTS**
Report of Head of Finance enclosed
10. **FINAL REPORTS AND PERFORMANCE INDICATORS**
Report of Head of Finance enclosed
11. **INVESTIGATIONS PROGRESS REPORT**
Report of Head of Finance enclosed
12. **OPERATIONAL AUDIT PLAN AND RECOMMENDATION TRACKING**
Report of Head of Finance enclosed

AUDIT COMMITTEE
28 JUNE 2010

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Monday, 28 June 2010.

PRESENT: Councillor I B Roberts (Chairman)

Councillors: G H Bateman, Q R H Dodd, A M Halford, M J Peers and P Pemberton

SUBSTITUTES:

Councillor E F Evans for Councillor B Mullin

ALSO PRESENT: Councillors K Armstrong-Braun, P G Heesom and the Principal Auditor

APOLOGIES:

Councillor B Mullin and Head of Finance
Mr Patrick Green of RSM Tenon Plc

IN ATTENDANCE:

Chief Executive, Head of Legal & Democratic Services, Head of Internal Audit, Clwyd Pension Fund Manager (Item 3), Interim Corporate Finance Manager (Financial Control) (Item 5) and Committee Officer

Mr Kevin Emmitt, Wales Audit Office

It was reported that Mr Patrick Green of RSM Tenon Plc was unable to attend as he was unwell. The Head of Finance had written on behalf of the committee to wish Mr Green a speedy recovery.

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

- (i) The minutes of the meeting of the Committee held on 3 March 2010 were submitted.

Accuracy

Under the item on Management of Internal Audit, Councillor Pemberton requested that the minute be amended as it did not reflect his comments. His recollection was that he had expressed disappointment that the committee was still considering this matter when Members had made it quite clear in a number of meetings that they wished the present

arrangements to continue. The Chief Executive added that the contract could not be extended further than 31 March 2011 and advised that a report would be submitted to the committee in September for formal consideration as planned.

Matters Arising

Under the item on Internal Audit Strategic and Operational Plan, Councillor Bateman requested an update on A D Waste. The Head of Legal & Democratic Services advised that considerable progress had been made. An outstanding land issue had recently been resolved and a second issue relating to the potential for continuation of A D Waste in a different form to deal with the generation and sale of electricity had been accepted by the A D Waste Board. It was anticipated that the transfer would be complete by 1 September.

Councillor Pemberton sought further details and questioned why all the accounts details had not been shared with Members. The Head of Legal & Democratic Services explained that in relation to the land issue, it had been necessary to ensure that no liability was being taken on by the Council. The second issue regarding the sale of electricity had only come to the Council's notice within the last two months. Referring to the accounts, the Head of Legal & Democratic Services had undertaken some research and would need to finalise this before taking a view on whether Members would be entitled to further detailed information.

Councillor Halford referred to the inclusion of A D Waste transfer in the Strategic Assessment of Risks & Challenges (SARC) document. The Chief Executive stated that the RAG status would turn green at transfer as the risks became manageable. The Head of Legal & Democratic Services advised that a response on the detailed accounts was likely to be made to Members before September.

RESOLVED

That subject to the foregoing the minutes be received, approved and signed by the Chairman as a correct record.

3. TREASURY MANAGEMENT UPDATE

The Clwyd Pension Fund Manager introduced a report, the purpose of which was to provide an update on matters relating to the Council's Treasury Management policy, strategy and practices. He provided background information and outlined the key considerations contained in the report.

There was a requirement for the Annual Strategy Report for 2011/12 to be approved by Council before the start of the new financial year. Due to the committee dates already scheduled, the Clwyd Pension Fund Manager requested that a special meeting be held in late January or early February to discuss the Annual Strategy Report prior to submission to Executive on 15 February 2011.

One of the recommendations arising from the internal audit of Treasury Management was for the policy to clarify that a 60% limit imposed on building society investments applies at the time the investments are made. Councillor Peers requested that a separate paper be supplied to Members to explain this in detail.

Councillor Halford commented on the Council's average return for investments in 2009/10 which was 1.24% compared with an average of 1.86% for other CIPFA members. The Clwyd Pension Fund Manager explained that Flintshire had taken the most risk adverse approach at the time, although it would take time to see returns for the investments made. Councillor Peers said he could understand the need for caution, but suggested that a review of the strategy may be needed.

Referring to the list of investments included at Appendix 2 to the report, Councillor Peers commented on the majority attracting only a modest interest rate, highlighting one investment which was made over a period of only seven days. He also requested a list of the amounts of interest payable on the long-term loans set out in Appendix 3 to the report. The Clwyd Pension Manager explained that investments were driven firstly by cashflow, then by security and finally by investment return, however there was a need to spread counterparty risk. Higher interest rates were applied to long-term investments, as shown in the appendix, but it was acknowledged that seven day return investments were rare. Debt restructuring was being discussed with the advisers and some loans with high fixed rates had been moved to the variable rate which, if increased to a higher level, could result in savings not being achieved. Councillor Peers suggested that the issue of borrowing be considered at a future meeting. The Chief Executive gave a reminder that this was a regular item for the committee. A fuller report would be submitted with options for reviewing policy.

Councillor Dodd raised concerns about the strategy, stressing the need for constant review. The Clwyd Pension Manager said that the Policy Statement provided flexibility in its broad boundaries. The Chief Executive suggested that the committee could receive some brief examples of learning from other Local Authorities alongside the report proposed. Referring to the Local Government Association briefing regarding Landsbanki attached to the report, Councillor Halford asked for costs relating to Bevan Brittan's involvement. It was explained that the cost was split between all the Local Authorities taking part.

RESOLVED:

- (a) That the report be received.
- (b) That a special meeting of the Audit Committee be held in late January or early February 2011 to receive the Annual Strategy Report 2011/12.
- (c) That the additional information requested be provided to Members of the Audit Committee.

4. REGULATORY PROGRAMME

The Chief Executive introduced a report to note and endorse the (i) Regulatory Programme for Performance Audit November 2009-March 2011 (ii) 2009/10 Financial Audit Strategy for Flintshire County Council and (iii) Financial Audit Strategy for Clwyd Pension Fund. It was reported that the Regulatory Plan now comprised the two separate documents (i) and (ii) and that a separate audit had been undertaken for the Clwyd Pension Fund.

The Head of Internal Audit had worked with the Chief Executive, performance team and external auditors to dovetail the Audit Plan and avoid possible duplication. The Chief Executive commented on the smooth transfer of Auditors, and added that it was pleasing to note that confidence in the Authority and its governance was reflected in a further reduction of fees shown in paragraph 5.01 of the report.

Councillor Peers drew attention to item 10 on page 6 of the Financial Audit Strategy which referred to queries received from members of the public and other interested parties. Mr Emmitt stated that whilst there was a need to respect the confidentiality of such queries, he would be able to share an overview of the queries with the committee. The Chief Executive referred to the Government directive for Authorities to publish details of all information available when accounts open to inspection, adding that the Assembly Government had not committed to this for Wales.

RESOLVED:

- (a) That the report be received.
- (b) That an overview of queries received from interested parties be shared.

5. STATEMENT OF ACCOUNTS 2009/10

The Interim Corporate Finance Manager introduced the report, the purpose of which was to advise of a revision to the timetable and process for the consideration of the Statement of Accounts 2009/10, to that adopted in previous years. Due to a change in the regulations, it was no longer necessary for the draft Statement of Accounts to be approved prior to the external audit taking place. Therefore the audited Statement of Accounts would need approval by 30 September.

The Chair drew Members' attention to a special meeting of the committee which had been arranged for 12 July to receive the draft Statement of Accounts. The Interim Corporate Finance Manager advised that a presentation would be delivered at the special meeting, followed by drop-in sessions for Members throughout the summer. It was confirmed that the audited accounts would be submitted back to the committee on 29 September prior to approval at Council on the same day.

RESOLVED:

That the report be noted.

6. INTERNAL AUDIT ANNUAL REPORT

The Head of Internal Audit introduced the report, the purpose of which was to advise on the outcome of all audit work carried out during 2009/10 and to give an opinion on the standard of risk management, governance and internal control within the Council.

He provided an overview of the report, highlighting the 'traffic light' rating system applied to the three areas of Governance (Green), Risk Management (Amber) and Internal Control (Amber). It was explained that Risk Management had remained Amber due to delays with the implementation of that element of the Ffynnon system. No change had been shown on Internal Control, which remained as Amber. In response to a question from Councillor Peers, it was explained that a report on Risk Management Strategy would be made to the September meeting which would include an update on Ffynnon.

Councillor Bateman queried audits carried out on consultancy work, shown on page 85 of the Annual Report. It was explained that this related to issues such as assistance on the payroll Trent system, procurement and school inventory systems. Councillor Halford asked about the cost of consultants to the Authority and said she had previously raised this question. The Head of Internal Audit explained that he had been working on obtaining the information on the various types of staff employed from individual Directorates, however this was proving difficult as some details needed to be clarified. The Chief Executive commented on the terminology of what is meant by consultancy, whether it be agency staff, contract appointed or consultants, adding that the Authority was not highly dependent on consultants. Councillor Halford questioned whether a more efficient system was needed to enable all the information to be stored in one place. Members discussed various aspects of consultancies used by the Authority, acknowledging that the requirement would vary from time to time. The Chief Executive referred to scope for collaborative procurement of consultancy.

Councillor Pemberton asked if Flintshire was found to be comparable with other Authorities in the effective use of resources. It was explained that this differs in each Audit assignment, with benchmarking carried out against other Authorities where appropriate. The Chief Executive referred to the sharing of good practice and cited Street Scene as an example of where a significant amount of comparative work had been done.

RESOLVED:

That the report be received.

7. FINAL REPORTS AND PERFORMANCE INDICATORS

The Head of Internal Audit introduced the report, the purpose of which was to advise of final reports issued since the last Audit Committee, and of Directorates and Internal Audit's performance for responses against target. This was a longer report than usual due to the time lapsed since the last meeting of the committee.

The report contained a list of reports finalised since the last meeting together with a summary of findings and action plans for those reviews which had received little or limited assurance. The Head of Internal Audit provided an overview of some of the recommendations within the report, and stated he was satisfied with the explanations provided in Appendix B to the report which gave clarification of where deadlines had been exceeded. It was explained that the three outstanding reports listed at Appendix C had now been received.

One of the action plans related to charges on clients' properties where it was found that there was a lack of communication as to whether agreements had been raised. Councillor Dodd raised concerns about whether vulnerable people going into residential care would fully understand the charges. The Head of Internal Audit explained that the review had looked at the way charges were set up, and no evidence was found where residents were unaware of the process. The Head of Legal & Democratic Services pointed out the improvements made to the process with Social Services working with the Legal department to deal with registrations within the required deadline.

The Action Plan included a number of recommendations on Employment Practices Code (Data Protection) which had not previously been reviewed at Flintshire. In response to concerns from Councillor Halford, it was stressed that these were fairly new requirements issued by the Information Commissioner, and did not mean the Authority had previously been open to any risk. The Data Protection team was led by Peter Evans in Legal & Democratic Services, and the team met regularly to raise any concerns and provide training where necessary.

Reference was made to paragraph 2.11.3 within the report indicating that new employees would be given the opportunity to object to their details being passed to trade unions from April 2011. Councillor Peers asked why this did not automatically already come under the induction process with immediate effect. The Head of Internal Audit agreed to look into this.

RESOLVED:

That the report be accepted.

8. INVESTIGATIONS PROGRESS REPORT

The Head of Internal Audit introduced the report, the purpose of which was to outline ongoing proactive counter fraud work and reactive investigative work. It was pointed out that a verbal update had been given to the previous meeting in response to investigation 5 which related to secondary school funding.

Councillor Halford referred to one of the outstanding investigations which related to alleged private use of Council vehicles. Following investigation, it had been found that the vehicles had been taken home by supervisors who had been permitted to do so. Nothing had been found to suggest improper use. In response to a question from Councillor Halford, it was confirmed that tracking facilities were used on some Council vans but only for the purpose of improving efficiencies during working hours. The Chief Executive said that where there was an increase in mobile working, this may result in greater risks such as this and these would

need to be managed. He commented on fleet management vehicles being an area where greater efficiency could be made, and referred to collaboration with other North Wales bodies.

Appendix C to the report on the Operational Audit Plan indicated that no monitoring procedures were in operation for the use of Council vans, despite the use of tracking systems. The Head of Internal Audit explained that this was being monitored from 1 April 2010 having been deferred from last year's plan. It was agreed that an update on the initial monitoring would be available at the next meeting of the committee.

RESOLVED:

- (a) That the report be noted.
- (b) That an update on the initial monitoring of tracking systems be provided at the next meeting of the committee.

9. OPERATIONAL AUDIT PLAN AND RECOMMENDATION TRACKING

The Head of Internal Audit introduced the report, the purpose of which was to advise of progress made against the 2009/10 and 2010/11 operational plans. A separate sheet was circulated to the committee, which replaced page 169 of the papers. It was reported that the plan for 2009/10 had been substantially completed, with work started on the 2010/11 plan.

A list of amendments to the plans was shown at Appendix C to the report, together with explanations. It was stressed that the amendment to the 2010/11 plan relating to control of files within Children's Services was not as a result of any breach of Data Protection regulations.

Councillor Pemberton referred to page 155 in the Action Plan relating to the omission of signatories on some timesheets and questioned why these errors had occurred. The Head of Internal Audit pointed out that the Action Plan contained detailed recommendations to improve the process, together with progress made to date. In response to a question from Councillor Halford regarding cost of honoraria payments detailed on page 158 of the report, the Head of Internal Audit agreed to provide this information to the committee. The Chief Executive commented that a number of posts had taken additional responsibility, however tight procedures were in place until the Single Status process was complete and many honoraria would be incorporated in newly evaluation posts.

The Chair referred to hotel rates relating to page 194 of the report, and commented that some departments seemed to have been given specific rates. The Chief Executive could not comment on anonymous examples but would give an overall explanation. He stated there was a need to accept that there would be exceptions where hotels were fully booked and it may be necessary to take whatever was available, also commenting that hotel prices were steadily increasing in areas such as Cardiff and London.

In response to Members' comments on other areas of the Action Plan, the Chief Executive drew attention to the management comment/progress made which reflected the Authority's stance in ensuring that controls were in place.

RESOLVED:

- (a) That the report be noted.
- (b) That the information requested by Members be provided.

10. AUDIT COMMITTEE SELF ASSESSMENT - RESULTS

The Head of Internal Audit introduced the report, the purpose of which was to advise of the results of the committee's Self Assessment which would feed into the preparation for the Annual Governance Statement and would form the basis for further development of the committee. He outlined the key considerations contained in the report, including the summary of responses following re-issue of the questionnaire.

Members commented on various issues relating to the committee, including training required and the assessment of external audit performance. Councillor Peers suggested that a 'Don't know' response be included either in the 'No' or 'N/A' columns. Members questioned the provision of an Annual Report, as the minutes of Audit Committee meetings were available in the Minute Book. The Head of Internal Audit reiterated that the issues listed were not prescriptive.

RESOLVED:

That the report be accepted.

11. CORPORATE BUSINESS CONTINUITY PLAN

The Chief Executive introduced the report to provide assurance that a robust Corporate Business Continuity Plan had been developed. He provided an overview of the background and key considerations contained in the report relating to the development of the Plan and a programme of training.

A copy of presentation slides were circulated, identifying the 23 mission critical services and providing an update on progress. It was intended to test the Plan by the deadline in September when it would be available for inspection.

RESOLVED:

That the report be noted.

12. WALES AUDIT OFFICE - CODE OF AUDIT PRACTICE OF THE AUDITOR GENERAL OF WALES

The Head of Internal Audit introduced the report, the purpose of which was to advise of the revised Code of Practice of the Auditor General.

Mr Emmitt explained that this was a documented framework of principles for auditors to work within. The new Code of Practice was far shorter than the previous version which had included a number of operational issues. He added that the Wales Audit Office was in the process of developing a good practice website which would be available to Local Authorities and members of the public. The Chief Executive clarified that the Code would apply to both financial and performance audits.

RESOLVED:

That the report be noted.

13. DURATION OF MEETING

The meeting commenced at 10.00am and finished at 12.25pm.

14. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press present.

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Chairman

SUMMARY OF DECLARATIONS MADE BY MEMBERS
IN ACCORDANCE WITH FLINTSHIRE COUNTY COUNCIL'S
CODE OF CONDUCT

AUDIT COMMITTEE	DATE: 28 JUNE 2010
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MEMBER	ITEM	MIN. NO. REFERS
NO DECLARATIONS WERE MADE		

AUDIT COMMITTEE
12 JULY 2010

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Monday, 12 July 2010.

PRESENT: Councillor I B Roberts (Chairman)

Councillors: G H Bateman, Q R H Dodd, A M Halford, B Mullin and M J Peers

ALSO PRESENT: Councillors K Armstrong-Braun, P G Heesom and G James, Head of Corporate & Capital Accounting, Funds Manager and Funds Officer

APOLOGIES:

Councillor P R Pemberton and Chief Executive

IN ATTENDANCE:

Head of Finance, Head of Legal & Democratic Services, Head of Internal Audit, Interim Corporate Finance Manager (Financial Control), Interim Corporate Finance Manager (Financial Strategy) and Committee Officer

Mr Kevin Emmitt, Wales Audit Office

Mr Ron Parker, Wales Audit Office

15. DECLARATIONS OF INTEREST

There were no declarations of interest.

16. STATEMENT OF ACCOUNTS 2009/10

The Head of Finance introduced a report to present the draft Statement of Accounts 2009/10 (subject to audit) for Members' information only at this stage. This enabled Members to peruse the document and raise any queries over the summer period prior to the final accounts being received in September. She also took the opportunity to thank staff for their work in preparing the Statement of Accounts to date and in particular to the Head of Corporate & Capital Accounting, Funds Manager and Funds Officer who were present in the gallery.

The Head of Finance welcomed the Interim Corporate Finance Manager (Financial Control) and Interim Corporate Finance Manager (Financial Strategy), and invited them to deliver the presentation. It was explained that the two officers were jointly undertaking the role of the former Interim Corporate Finance Manager on a temporary basis until November. In response to a query from Councillor Halford, it was explained that attempts had been made to appoint a permanent candidate however, following interviews, no such appointment had been made.

The Interim Corporate Finance Manager (Financial Control) and Interim Corporate Finance Manager (Financial Strategy) gave a verbal summary of the presentation which covered the following points:

- What is the Statement of Accounts and what is included?
- Responsibility for the Statement
- Timeline
- What can be found where
- Impacts for GF and HRA
- Annual Governance Statement
- What next?

In response to Councillor Bateman's comment on a reduction in staffing levels within Internal Audit, the Head of Internal Audit stated that a review of the section was currently being undertaken as part of the Finance Function Review. He added that one member of staff who had left the section last year had not been replaced. The Head of Finance confirmed that despite the reduced level of staff in the section, this was not posing a risk to the Authority and the actions within the Audit Plan were being carried out.

Councillor Peers asked if Members of the committee could receive the final Statement of Accounts and Wales Audit Office report seven working days before the meeting in September, instead of the usual three working days, to allow time to go through the documents in detail. The Head of Finance noted the request and confirmed that she would seek to adjust the timetable, in conjunction with Wales Audit Office, so that this could be done.

On pages 56 and 63 of the accounts, Councillor Halford queried the significant increase in the depreciation and impairment of fixed assets since 2008/09, and a substantial increase in the net cost of HRA services for 2009/10. The Interim Corporate Finance Manager (Financial Control) referred to a reduction in property values due to the current economic climate. In response to a query on the housing stock shown on page 58, the Head of Finance clarified that the figures reflected the total number of properties owned by the Council, including voids. A slight reduction in the number of houses in 2009/10 was due to a small number of Right to Buy properties.

Councillor Halford asked questions concerning the public accountability of senior officers and what remit SOLACE and the Wales Audit Office had in dealing with complaints. The Head of Legal & Democratic Services explained that SOLACE was a professional body for Chief Executives and senior officers across the country. He gave clarification on complaints procedures in Flintshire but stressed that all complaints would need to be considered on their own merits. Any complaint made to the Wales Audit Office would be likely to require communication with the relevant statutory officers and/or the Leader of the Council. Mr Emmitt echoed these comments, adding that Members could share any concerns with the Wales Audit Office, however this would not necessarily mean they would be able to deal with the complaint, depending on the nature of it. He clarified that complaints relating to SOLACE did not fall within the remit of Wales Audit Office.

Councillor Peers pointed out that there were three different sets of figures for Council Tax on pages 1, 23 and 31 of the accounts, and that page 2 incorrectly refers to a reduction in Council Tax. He raised concerns about the increase in the debtors figure shown on pages 21 and 42 asking how this was being dealt with, and queried what was meant by assisted car purchase loans shown on page 41. On page 33, three officers were listed in the remuneration band of over £100K, however only one of these was shown on page 34. The Head of Finance commented that under new regulations, remuneration details of the Chief Executive, Strategic Directors and statutory officers needed to be listed as per the table on page 34. The table on page 33 included 'non-permanents' (interims/consultants) for 2009/10.

In response to a query on significant governance issues shown on page 16, the Head of Internal Audit explained that these related to limited assurance reports which were issued during the year and details received at the Audit Committee. As part of recommendation tracking, actions have been and will be monitored and reported back to the Audit Committee.

The Head of Finance suggested that the detailed queries in relation to Council Tax and debtors be taken away by officers to formulate a fuller response for circulation to the committee. In response to the query on debtors, a breakdown of these was shown on page 42 of the document, however further explanation would be given in the fuller response. The Head of Finance commented on the difficulty of needing to present the accounts in a prescribed format which did not always aid understanding of them, but undertook to deal with the points raised recognising that some of the fuller responses may be technical in nature.

Councillor Bateman also queried the levels of income and expenditure shown on page 18 and the figure for depreciation and impairment of fixed assets on page 19. He sought further explanation on a number of issues including a significant decrease in capital receipts since 2009 shown on page 2 and an increased deficit on the income and expenditure account resulting in a substantial increase in losses for the year shown on page 20. The Interim Corporate Finance Manager (Financial Control) explained that the decrease in capital receipts had been due to the effects of the economic climate, however further explanation on both issues would be provided in the full response. Councillor Bateman also referred to the valuation of property assets on page 38 and commented on the housing stock ballot. The Head of Finance advised that under any transfer, any assets and liability to maintain them would be transferred to the new landlord.

Councillor Halford sought clarification on officers' remuneration details shown on page 34. It was explained that salaries had been agreed as part of the Pay and Grading Model which had previously been agreed by Members approximately 18 months ago, possibly at Council. Councillor Halford asked for confirmation to be provided on when this had been approved.

Councillor Halford referred to page 67 on A D Waste and requested an update on Members' access to accounts which had been discussed at the previous meeting. The Head of Legal & Democratic Services advised that following research into relevant legislation, he would be liaising with colleagues to

formulate a request to the company. He advised that following a meeting with the A D Waste Board, it had been suggested that the transfer date of 1 September be delayed for a further month to finalise the transfer of staff. It had been established that there would be no continuing major liability to the Council, and the continuation of A D Waste in a different form to deal with the generation and sale of electricity would be necessary. In response to a question from Councillor Halford, the Head of Legal & Democratic Services did not envisage any additional cost to the taxpayer and it was unlikely that any such cost would be identified in the final report from the tax consultants.

In response to a question from Councillor Bateman, it was confirmed that the investment loss of £351k referred to on page 18 related to the Landsbanki investment.

The Head of Finance confirmed that informal drop-in sessions would be held to give Members the opportunity to look at the information in more detail and ask questions. It was proposed that these be held in early September following the holiday period and to allow time for preparation of the final papers, and that officers would advise Members of the proposed dates.

The Chair thanked officers for the presentation and for the information and responses provided.

RESOLVED:

- (a) That the draft Statement of Accounts be noted.
- (b) That Finance officers provide full responses to Members' questions outlined above and circulate them to the Committee.
- (c) That Finance officers determine dates for drop-in sessions and advise Members accordingly.
- (d) That the audited Statement of Accounts and Wales Audit Office report be despatched to the committee seven working days prior to the September meeting to allow full consideration.

17. THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Interim Corporate Finance Manager (Financial Strategy) introduced a report to provide a progress update in respect of the move towards preparing the statutory Statement of Accounts on an IFRS basis, with effect from 2010/11.

To ensure momentum in progressing the IFRS project, additional resource had been created in the Corporate & Capital Accounting Team by way of a secondment which had been covered from within the existing budget. One of the key milestones in the IFRS process had been achieved in the completion of the restated transition balance which had been presented to External Audit for their consideration. Following concerns reported in the previous IFRS update, it was

confirmed that mitigation measures were now in place to ensure that there was no need for the Council to make provision in the revenue budgets for the value of leave entitlement and flexi-time earned but untaken at the balance sheet date.

RESOLVED:

That the report be noted.

18. DURATION OF MEETING

The meeting commenced at 10.00am and finished at 11.15am.

19. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were no members of the press or public present.

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Chairman

SUMMARY OF DECLARATIONS MADE BY MEMBERS
IN ACCORDANCE WITH FLINTSHIRE COUNTY COUNCIL'S
CODE OF CONDUCT

AUDIT COMMITTEE	DATE: 12 JULY 2010
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MEMBER	ITEM	MIN. NO. REFERS
NO DECLARATIONS WERE MADE		

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 4

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **STATEMENT OF ACCOUNTS 2009/10**

1.00 PURPOSE OF REPORT

1.01 To present to Members of the Audit Committee the Statement of Accounts for 2009/10, incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit (as reported separately on this agenda).

2.00 BACKGROUND

2.01 The Audit Committee received the draft Statement of Accounts 2009/10 on 12th July 2010 - for information only at that stage; the statutory deadline for the approval of the accounts moved from 30th June to 30th September by way of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

3.00 CONSIDERATIONS

3.01 The audit of the 2009/10 accounts is now substantially complete, as referred to in WAO's Audit of Accounting Statements (ISA 260) report (as included separately on the agenda).

3.02 A copy of the Statement of Accounts for 2009/10 incorporating those changes agreed with WAO during the course of the audit, and up to the point of writing this report, has been despatched in advance of the agenda for the Audit Committee, and Members are requested to bring this document to the meeting.

3.03 Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 12th July - no further questions have been received over the summer period. Responses to all matters raised have been provided by letter to all Members of the Council.

4.00 RECOMMENDATIONS

4.01 Members are requested to recommend to County Council the final version of the Statement of Accounts 2009/10.

5.00 FINANCIAL IMPLICATIONS

Date: 23/09/2010

5.01 None.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None required.

11.00 CONSULTATION UNDERTAKEN

11.01 None required

12.00 APPENDICES

12.01 None.

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

Various 2009/10 Final Accounts Working Papers

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FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 5

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **REPORT BY WALES AUDIT OFFICE (WAO) - AUDIT OF**
 ACCOUNTING STATEMENTS (ISA 260)

1.00 PURPOSE OF REPORT

1.01 To present to Members of the Audit Committee, WAO's Audit of Accounting Statements ISA (International Standards on Auditing) 260 report, in connection with the audit of the 2009/10 financial statements.

2.00 BACKGROUND

2.01 The Audit Committee received the draft Statement of Accounts 2009/10 on 12th July 2010 - for information only at that stage.

2.02 The previous item on this agenda dealt with the final Statement of Accounts for 2009/10.

3.00 CONSIDERATIONS

3.01 The audit of the 2009/10 accounts is now substantially complete, as referred to in WAO's report.

3.02 Under ISA 260, WAO is required to communicate relevant matters relating to the audit of the financial statements to those charged with governance, which for this Council is the Audit Committee.

3.03 WAO's report is attached - this includes details of audit planning risks and accounting statements audit findings (within the detailed report), and a summary of corrections made to the draft accounting statements (Appendix 2). Any accounting issues relating to the audit findings will be reviewed internally during the current financial year (2010/11).

3.04 It is usual, within the course of the audit of any organisation, that items will be brought to the attention of the body being audited (in this case Flintshire County Council). The audit findings have been discussed in detail with WAO, and those adjustments made have been reflected in the Statement of Accounts discussed under the previous agenda item.

4.00 RECOMMENDATIONS

4.01 Members are requested to -

Date: 23/09/2010

(a) Consider WAO's report.

(b) Agree that the 2009/10 accounts are not amended for the misstatement listed in Exhibit 2 of WAO's report (page 8).

5.00 FINANCIAL IMPLICATIONS

5.01 None directly.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 WAO's Audit of Accounting Statements - Report to the Council

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

WAO's report - September 2010

Contact Officer: Ian LI Jones

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit 2009-10

September 2010

Author: John Herniman

Ref: 17 September 2010

Audit of Accounting Statements – Report to the Council

Flintshire County Council

It is our intention to issue an unqualified audit report that includes an emphasis of matter on the Clwyd Pension Fund

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Status of this report

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

No responsibility is taken by the Wales Audit Office (the Auditor General and staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, the appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

Summary

1. Flintshire County Council (the Authority) is responsible for the preparation of the accounting statements and related notes that show a true and fair view of its financial position as at 31 March 2010 and of its income and expenditure for the year then ended. We are required to give an opinion as to whether the accounting statements give a true and fair view.
2. The Authority submitted a Statement of Accounts to us in June 2010 and we have now substantially completed the audit of the accounting statements and related notes. We are reporting to you the most significant issues arising which we believe you should consider prior to the approval of the Authority's accounts. We have already discussed these issues with officers.
3. We do not seek to obtain absolute assurance that the accounting statements and related notes are true and fair, but adopt a concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in the accounting statements and related notes, that is, those which might result in a reader of the accounts being misled.
4. The quantitative levels at which we judge such misstatements to be material for the Authority are £5.96 million for income and expenditure items and working capital balances, and £9.2 million for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
5. As required by auditing standards we report to you any issues identified with regard to:
 - accounting practices and financial reporting;
 - material internal control weaknesses;
 - modifications to the standard certificate and report;
 - matters of significant governance interest; and
 - any other relevant matters arising from our audit.
6. We also set out in the detailed report any misstatements identified in the Authority's accounts and which remain uncorrected and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.
7. The main conclusions from our audit of the accounting statements are summarised below and set out more fully in the detailed report:
 - the audit planning risks have been addressed satisfactorily; and
 - the Council's accounting statements are free from material misstatement.
8. Included at Appendix 2 are the misstatements that have been corrected by management but which we draw to the attention of those charged with governance to allow them to discharge their governance responsibilities.

-
9. The only other issue that we wish to draw to your attention is a modification to the opinion on the Clwyd Pension Fund. The details of this are included in the separate ISA 260 report for the Clwyd Pension Fund.
 10. It is our intention to issue an unqualified audit report that includes an emphasis of matter on the Clwyd Pension Fund, on the accounting statements and related notes once the Authority has provided me with the signed Letter of Representation. The proposed modified audit report is set out at Appendix 1.

The risks identified at the audit planning stage have been addressed satisfactorily

1. Our audit strategy reported the risks identified at the audit planning stage. Exhibit 1 summarises these risks and the way in which these have been resolved, together with the significant risks identified from our review of the draft financial statements.

Exhibit 1: Audit planning risks

Control environment risks	Findings
In common with others, the Council is facing significant budget pressures over the medium term.	The Council has adopted the 'Flintshire Futures' programme which provides a framework to address expected reductions in revenue and capital.
IT systems should produce materially correct figures to support the financial statements.	Controls in significant financial systems operated satisfactorily during 2009-10.
The Council is moving towards considering a ballot to offer tenants options on a large-scale voluntary transfer of the housing stock and has begun to consider accounting for any pre and post-ballot costs.	We have responded to some queries about the accounting arrangements for large-scale voluntary stock transfers.
Does the Council benefit from an effective Internal Audit service.	Internal Audit generally complied with the CIPFA standards. We have made recommendations for further improvement. Full details are contained in a separate report to the Audit Committee.
The Council arrangements for securing economy, efficiency and effectiveness (VfM conclusion).	The results of this work will be reported in the Annual Audit letter.
Financial systems risks	Findings
The PWC ISA 260 report identified a number of internal control issues, for example the payroll system.	Whilst the financial systems can be relied upon to produce materially accurate financial statements, there are opportunities for some improvements particularly in payroll and benefits.

Preparation of the accounts risks	Findings
The SoRP 2009 has introduced further changes eg, accounting for local taxes and changes to disclosures.	Financial statements were generally prepared in accordance with the SORP. We identified some departures and officers responded by providing additional disclosures.
Introduction of International Financial Reporting Standards (IFRS) – preparation for full implementation in 2010-11.	Significant progress is being made in preparation for the 2010-11 changes.
The accounts preparation deadlines continue to be short.	Submission deadlines for the draft financial statements were achieved.
The government proposes to publish for the first time in 2009-10, the Whole of Government Accounts (WGA).	Submission deadlines for the draft return were achieved. We intend approving the Council's revised WGA return by 30 September.
The Council continues to receive a significant number of equal pay claims; and is currently considering its legal position.	The Council adjusted the accounts to include a provision for potential equal pay claims should liability be determined. The accounting transactions were tested and agreed.
Financial statements risks	Findings
Are the financial statements free from material misstatements.	The draft financial statements are free from material misstatements.
The Council is revisiting its proposals for implementing Single Status.	The Council's work on Single Status is progressing. Reserves have been set aside.
Recovery action is continuing on the £3.7 million deposit frozen in Landsbanki. The 2008-09 accounts included impairment against this investment of £575,000.	The accounting transactions for impairment were tested and agreed.
Preparation of the return for the Welsh Church Act Charitable Fund.	The audit has been completed, no amendments were made and an independent examination report will be issued shortly.
The Council is leading on a Pooled Budget with health bodies.	The accounting transactions were tested and agreed.

The Council's accounting statements are free from material misstatement

2. Auditing standards require us to report any matters that might result in a material misstatement in the financial statements, specifically if we identify:
 - material weaknesses in your internal controls;
 - other matters of governance interest;
 - suspected or detected fraud; and
 - inconsistencies in financial information;

3. In the course of the accounting statements audit we also consider the qualitative aspects of the financial reporting process as well as the accuracy of the statements.
4. We report to you any uncorrected misstatements, other than those of a clearly trivial nature, and prepare an auditor's report that comments on whether:
 - the accounting statements and related notes give a true and fair view of the Council's financial position as at 31 March 2010 and of its income and expenditure for the year then ended; and
 - the Annual Governance Statement is compliant with applicable guidance and is consistent with our knowledge and understanding of the Council's arrangements.
5. Exhibit 2 summarises our findings.

Exhibit 2: Accounting statements audit

Auditing standards areas	Findings
Internal controls	We did not identify any material weaknesses in your internal controls. A number of issues are being discussed and agreed with officers and a separate report will be issued.
Governance	We did not identify any issues to report.
Accounting statements audit	
Qualitative aspects of your accounting practices	The accounting statements were prepared by the deadline. A range of working papers were available to support the audit process. Some delays were experienced which are being discussed with officers.
Misstatements	<p>The Council's accounting statements have been prepared in accordance with the amended Accounts and Audit Regulations.</p> <p>There was one uncorrected misstatement:</p> <ul style="list-style-type: none"> • Housing Benefit overpayments were overstated by £132k, and bad debt provision was overstated by £7k. Officers declined to adjust the accounts. <p>The explanation for not doing so will need to be set out in the letter of representation</p> <p>A number of misstatements in the draft accounts have been corrected and these are recorded in Appendix 2.</p>
Auditor's report	We intend to issue a modified but unqualified audit opinion that includes an emphasis of matter on the Clwyd Pension Fund.

Appendix 1

Independent auditor's report to the Members of Flintshire County Council

I have audited the accounting statements and related notes of:

- Flintshire County Council;
- Flintshire County Council Group; and
- Clwyd Pension Fund

for the year ended 31 March 2010 under the Public Audit (Wales) Act 2004. Flintshire County Council's accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. Flintshire County Council's Group accounting statements comprise Group Income and Expenditure Account, Reconciliation of the Single Entity Income and Expenditure Account Surplus or Deficit to the Group Income and Expenditure Account Surplus or Deficit, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Group Cash Flow Statement. Clwyd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Flintshire County Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the *Statement of Responsibilities* prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts, including the group and pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009:

- the financial position of the local government body and its income and expenditure for the year;
- the financial position of the local government body's group and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Governance Statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's group and pension fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion on the accounting statements of Flintshire County Council

In my opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of Flintshire County Council as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the accounting statements of Flintshire County Council's Group

In my opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of Flintshire County Council Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the accounting statements of Clwyd Pension Fund

In my opinion the pension fund accounts and related notes give a true and fair view, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of Clwyd Pension Fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Emphasis of Matter on the accounting statements of Clwyd Pension Fund

In forming my opinion on the financial statements, which is not qualified, I have considered the adequacy of the disclosures made in note 6 to the financial statements concerning unquoted investments carried at their fair value of £139 million. Because of the inherent uncertainty associated with the valuation of such investments, arising from the absence of a liquid market, the fair value of these investments may differ from their realisable values. The difference could be material.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

My conclusion on Flintshire County Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010 will be reported separately in the published Annual Audit Letter.

Certificate of completion

I certify that I have completed the audit of the accounts of Flintshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Practice issued by the Auditor General for Wales.

Appointed Auditor: Anthony Barrett
Address: Unit 4
Evolution
Lakeside Business Village
St David's Park
Ewloe
CH5 3XP

Signature:

Date: 30 September 2010

Appendix 2

Summary of corrections to the draft accounting statements and related notes which should be drawn to the attention of those charged with governance

Nature of correction	Reason for correction
<p>Income and Expenditure, Statement of Movement on the Council Fund and Reserves and Provisions</p> <p>Reserves and Provisions have been restated to account for the establishment of a provision for potential equal pay claims (£4.9 million) should liability be determined.</p>	<p>To comply with the SoRP, to take account of the most current information available on the settlement of claims elsewhere and to be prudent.</p>
<p>Cash and bank</p> <p>Earmarked internal insurance funds £1.3 million were disclosed on the balance sheet as both cash and bank and cash overdrawn. The entries were removed.</p>	<p>To ensure correct disclosure in the statement of accounts.</p>
<p>Post Balance Sheet Event</p> <p>A note on the change that future increases in public sector pensions will reflect movements in the Consumer Price Index rather than the Retail Price Index from April 2011 was included as a non-adjusting post balance sheet event for 2009/10.</p>	<p>To comply with guidance.</p>
<p>Housing Revenue Account</p> <p>Additional disclosure for pension interest costs and expected return on pension assets for 2009/10 and 2008/09 was made.</p>	<p>To comply with guidance.</p>
<p>Statement of Movement on the Housing Revenue Account</p> <p>An amount, of £238,000, included in the line, for 'amortisation of premiums and discounts', was moved to the section ' items included in the HRA Income and Expenditure Account but excluded from movement on HRA balance for the year.</p>	<p>To comply with the requirements of SoRP</p>
<p>Statement of Total Recognised Gains and Losses</p> <p>Included in other gains and losses was an amount of £551,000 relating to government grants that should not have been disclosed through this account but through the grants account.</p>	<p>To comply with the requirements of SoRP</p>

<p>Group Accounts</p> <p>The Authority recognised a debtor of £1.025 million, to reflect the future transfer of assets from AD Waste. The company should have created a creditor to match, their draft accounts incorrectly disclosed this as a provision. This has been amended.</p>	<p>To ensure the correct agreed accounts treatment.</p>
<p>Note 10 Audit Fees</p> <p>The note has been restated to disclose the fees for audit and inspection work carried out in that year of account.</p>	<p>To comply with the requirements of SoRP</p>



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FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 6

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **TREASURY MANAGEMENT UPDATE**

1.00 PURPOSE OF REPORT

1.01 To provide an update on matters relating to the Council's Treasury Management policy, strategy and practices.

2.00 BACKGROUND

2.01 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.

The previous report was presented to 28th June 2010 Audit Committee and matters arising are further explained within this report, namely:

- A Special Audit Committee to discuss the Annual Policy and Strategy Report 2011/12 (see para 3.04)
- Examples of learning from other local authority treasury functions (see para 3.05 and 3.06)
- Investment Limits (see para 3.13)
- Borrowing Levels and Strategy (see para 3.14 to 3.19)

In addition to greater scrutiny by Members of the Treasury Management function, since April 2010, the Head of Finance receives a monthly written Treasury Management report from the Clwyd Pension Fund Manager. This includes a Treasury Risk Report from Sterling Consultancy Services. The key matters discussed and decisions made are summarised throughout this report.

3.00 CONSIDERATIONS

Reporting

3.01 As members are aware the Council's Financial Procedures state that the Council will receive a Treasury Management Annual Report 2009/10, a Mid-Year Review 2010/11 and an Annual Strategy 2011/12. The Treasury Management Practices outline the responsibilities of Council, Executive and Audit Committee.

Date: 23/09/2010

- 3.02 The 2009/10 Annual Report was presented to Executive on the 21st September 2010 and Council on the 29th September 2010. The content of this report has already been reported to previous Audit Committees.
- 3.03 The 2010/11 Mid-Year Review is attached as Appendix 1, this will be presented to Executive on 19th October 2010 and Council on the 7th December 2010. The content of this report has either already been reported to this Committee or is included within this report.
- 3.04 On 28th June 2010, the Audit Committee resolved to hold a special meeting of the Audit Committee in January or February 2011 to receive the Annual Strategy Report 2011/12. This meeting has been scheduled for 31st January 2011.

Governance

- 3.05 In terms of learning from other local authorities the Council has been a member of the CIPFA Benchmarking Club for many years and more recently registered as a member of the CIPFA Treasury Management Forum.

There are a number of issues currently being discussed:

- At a recent meeting of the CIPFA Treasury Management Forum there were discussions regarding the establishment of regional forums.
 - The advantages of using brokers to identify deposits or whether more inter authority dealing could be organised.
 - CIPFA has gathered details of long term borrowing and investments from over 200 local authorities to form part of a nationwide Treasury Management Risk Report. The results are due to be published in late September and will be reported at the next Audit Committee.
- 3.06 Enquiries have been made by the Council's Treasury team via the CIPFA Treasury Management Forum regarding whether other councils are experiencing problems investing cash short term. We received 9 replies from authorities around the country. The main conclusions are:
- Councils can have very different approaches to the management of treasury risk.
 - Flintshire County Council's counterparty list is more extensive than many of the respondents.
 - Several councils are using money market funds for short term cash investments. Flintshire's Policy Statement excludes money market funds due to current Welsh legislation which states that the purchase of shares in a money market fund by a local authority counts as capital expenditure. However, this may go some way to explaining why this Council has experienced more difficulty in placing short term

cash. A business case for investing in Money Market Funds is being prepared and will be reported at the next Audit Committee.

Market Update

- 3.07 The interest rate forecasts made in the 2010/11 Policy Statement remain valid with no increase in base rate anticipated this calendar year, but the forecast has been revised downwards from Qtr 1 2011 to reflect that no increase in base rate is expected until Qtr 3 2011. The sovereign debt issues in parts of Europe continue to be noted and Sterling Consultancy Services are keeping Treasury Officers informed. For this reason institutions within the following countries continue to be excluded from the counterparty list : Spain, Portugal, Italy, Greece, Iceland and Ireland.

Investments

- 3.08 As at the 31st August 2010 the investment balance was £53.7m across 16 counterparties. The details are shown in Appendix 2. The implementation of a revised investment strategy has helped investment return but challenges remain.
- 3.09 Identifying counterparties within the Council's credit rating criteria continues to be challenging. Despite not having any investment with the Debt Management Office at the end of August, £3.9m was placed with other local authorities earning an average interest rate of only 0.31%, hence the consideration of other options such as money market funds and external managers which is also being explored.
- 3.10 The maturity of investments has been regularly reviewed with the aim of maximising returns whilst managing the risk of future interest rate movements. The percentage of cash invested in the short term has reduced during the year from 84.2% of the portfolio to 52.7%, thereby reducing interest rate risk. Although the percentage of shorter term investments is still higher at 52.7% than that stated in the Policy Statement of 35%, most of the cash is invested in call accounts which at this time are paying higher rates than other counterparties in the market for over 1 month. This is an unusual situation and is being monitored.
- 3.11 The Investment Strategy sets a limit of £40 million for non-specified investments. Non-specified investments are defined as investments over 364 days, including forward deals with counterparties which meet the credit rating. The following long term investments have been made in 2010/11:
- £2 million invested with Barclays Bank for 367 days at 1.34%
 - £2 million 'collared' investment made for 2 years. The interest rate, which is based on LIBOR plus 15 basis points, will be reviewed every 3 months and is subject to a minimum of 1.85% and a maximum of 3.70%. The rate for the first 3 months was set at 1.85%

- 3.12 An additional two counterparties have been identified, Handelsbanken of Sweden, a 35 day notice account, and the Overseas Chinese Banking Corporation. The 2010/11 Policy Statement limits overseas exposure to £10m per country and 25% of the total portfolio. As both of these counterparties are based overseas, a £10m investment limit has been agreed between the two counterparties.
- 3.13 The Policy Statement includes a number of limits which are used to manage risk. The limits are either expressed as a percentage of total investments or a value. There are disadvantages of both approaches which can lead to additional risk if investment balances fall. Further to a discussion at the previous meeting, a paper explaining Investment Limits with Building Societies is attached as Appendix 3. This explains how, on very rare occasions, investment maturities can alter the percentages invested in the building society sector so they exceed the limit stated. As such, on recommendation from our Auditors, a sentence is being recommended to Council to be added to the Policy Statement to clarify that 'where investment limits are expressed as a percentage, these will apply at the time the investment was made'.

Long Term Borrowing

- 3.14 Members have asked questions about the Council's long term borrowing. The current list of long term loans is attached as Appendix 4. This includes a breakdown of the interest payable on each loan, as requested at the previous Audit Committee meeting. The cost of borrowing is included in the Council's budget within the Central Loans and Investment Account which is reported on in the monthly budget monitoring report to Executive.
- 3.15 The Council inherited a loan book from the predecessor Council's in the region of £119m. Since 1st April 1996 to 31st March 2010 debt has matured (£17m) and repaid (£7m), rescheduled (£147m) and new monies have been borrowed (£79m). This has resulted in the current debt outstanding of £174m.
- 3.16 The last new borrowing was undertaken in 2001/02 and the Council has not undertaken any long term borrowing for the last 8 years other than to reschedule debt.
- 3.17 Another frequently asked question relates to the level of interest rates. These reflect the market rates at the time the monies were borrowed. Until this financial year all borrowing was at a fixed rate to reduce the risk of the budget pressures caused by rising interest rates. The section below on debt management explains the cost of premium to re-pay these debts.

Debt Management

- 3.18 Work is continuing on the development of a 3-year rolling cash flow forecast. This will consider the future financial plans of the Council as these may impact on future treasury decisions in relation to repayment of debt and integrate with the Council's budget planning processes.
- 3.19 Options for debt repayment are being evaluated. However, it is not considered by our advisors as the most advantageous time for the Council to implement as current low yields are increasing the premium paid to repay the debt. For example, to repay £9m of PWLB loans with an interest rate at or above 9% would result in the payment of a premium of £6m.

Landsbanki

- 3.20 A recent update, dated 7th September 2010, from Bevan Brittan has detailed that filed written submissions of the test case authorities have been served together with the supporting documentation. The cases are likely to be allocated by the Chief Justice of the Icelandic District Court after the 1st October 2010, hopefully the first hearing of the case will be mid to late October.

4.00 RECOMMENDATIONS

- 4.01 That members note the report.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None

6.00 ANTI POVERTY IMPACT

- 6.01 None

7.00 ENVIRONMENTAL IMPACT

- 7.01 None

8.00 EQUALITIES IMPACT

- 8.01 None

9.00 PERSONNEL IMPLICATIONS

- 9.01 None

10.00 CONSULTATION REQUIRED

- 10.01 None

11.00 CONSULTATION UNDERTAKEN

11.01 None

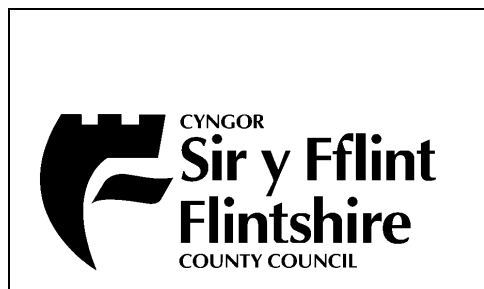
12.00 APPENDICES

12.01 Appendix 1 - 2010/11 Treasury Management Mid-Year Review
Appendix 2 - Outstanding Investments 31/08/2010
Appendix 3 - Investment Limits with Building Societies
Appendix 4 - Long Term Loans

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

NONE

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FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

MID YEAR REPORT 2010/11

1.00 INTRODUCTION

- 1.01 Following the collapse of the Icelandic Banks in October 2008, treasury management in public sector organisations continues to be under the spotlight. Two national reports were published, the Audit Commission's 'Risk and Return' on local authority treasury management and the Communities and Local Government Select Committee's Review of local authority investments.
- 1.02 As a result, The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Code of Practice for Treasury Management in Public Services and Guidance Notes for Local Authorities (CIPFA TM Code). The Welsh Assembly Government (WAG) issued Guidance on Local Government Investments, which was also included in the 2010/11 Policy and Strategy Statement.
- 1.03 In the case of local authorities in England and Wales, the Code has a particular significance under the provisions of local Government Act 2003. This requires local authorities 'to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by Regulations specify....'. In terms of the WAG guidance Section 15(1) & 24 of the Local Government Act 2003 requires a local authority to have regard (a) to such guidance as Welsh Ministers may issue and (b) to such other guidance as Welsh Ministers may by regulations specify. Local authorities are therefore required to 'have regard' to both the Welsh Assembly Government Guidance and the CIPFA TM Code.
- 1.04 Whilst there were changes to the guidance, the Treasury Management framework within which councils operate remained broadly unchanged and still consists of:
- Clauses to be formally adopted within Financial Procedures
 - A Treasury Management Policy and Strategy Statement, stating the authority's policies and objectives.
 - Treasury Management Practices, stating how those policies and objectives will be achieved.
 - Accompanying schedules, giving specific details of the systems and routines to be employed and the records to be maintained
 - Regular reporting to elected members.
- 1.05 In terms of the CIPFA Code of Practice, the following areas were strengthened:
- Minimum reporting requirements (full council to receive a mid year report)
 - Scrutiny (Audit Committee)
 - Training for those charged with governance
 - Approval
- 1.06 The key changes to the WAG investment guidance were:

- Clearer emphasis that the investment priorities should be security and liquidity rather than yield.
- Strategies should be published.
- Authorities should not rely just on credit ratings but also consider other information on credit risk.
- Strategies should comment on treasury management consultants.
- Strategies should comment on the investment of money borrowed in advance of spending needs.
- Strategies should report on the procedures for ensuring that the authority's treasury staff have the right kind of training in investment management.

1.07 CIPFA recommended that all public sector organisations adopt four clauses in Financial Procedures. The Council has adopted the following:

1. The Council will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

2. The Council will 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.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to Head of Finance, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*.
4. The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

- 1.08 The Council approved the Treasury Management Policy and Strategy Statement (Policy Statement) 2010/11 including key indicators, limits and an annual investment strategy on 17th February 2010.
- 1.09 This is the first Mid Year Report to be presented and its purpose is to review the activities and performance of the Treasury Management operations during the period 1st April to 31st August 2010 and compare with the Policy Statement.

2.00 TREASURY MANAGEMENT COMPLIANCE STATEMENT 2010/11

- 2.01 Treasury Management comprises the management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2.02 All treasury management activity undertaken so far during 2010/11 complied with the approved Policy and Strategy Statement 2010/11, the CIPFA Code of Practice 2009, and the relevant legislative provisions.
- 2.03 The Authority's current policy is to appoint external consultant to advise on its Treasury Management function. The external adviser is Sterling Consultancy Services.

3.00 ECONOMIC & INTEREST RATE REVIEW – APRIL TO AUGUST 2010

- 3.01 The UK base rate remained at 0.50% throughout.
- 3.02 The table below shows that the current interest rate forecast has changed from that assumed in the Policy Statement and on which the strategy was based:

	Policy Forecast	Current Forecast
Q1 2010	0.5%	0.5%
Q2 2010	0.5%	0.5%
Q3 2010	0.5%	0.5%
Q4 2010	0.5%	0.5%
Q1 2011	1.0%	0.5%
Q2 2011	1.0%	0.5%
Q3 2011	2.0%	0.5%
Q4 2011	2.0%	1.0%
H1 2012	3.0%	2.0%

- 3.03 The financial environment within which the treasury function operates has been and remains challenging, but officers continue to be active members of the CIPFA Treasury Management Forum and Benchmarking Club and with the assistance of Treasury Management Consultants will continue to identify solutions to improve performance.

3.04 Economic review and outlook – April to August 2010 by Sterling Consultancy Services.

The UK economy continued along the road to recovery during the first half of 2010/11, despite two shocks to consumer and business confidence. The near default of Greece prompted extreme financial market volatility, while the coalition government's emergency Budget outlined significant cuts in public spending.

Gross Domestic Product (GDP) expanded 0.3% in Q1 and 1.2% in Q2. Manufacturers in particular benefited from the recovery in the global economy by increasing export volumes. The recovery was less impressive in the service sector due to depressed business and consumer confidence. Improved economic conditions did however help financial institutions repair some of the damage the recession caused to their balance sheets, alleviating credit risk concerns and to some extent re-opening frozen financial markets.

Inflation has remained above the Bank of England's target rate of 2% since late 2009. The Consumer Price Index (CPI) rate peaked in April at 3.7% and eased back over the past few months as the effects of a number of temporary factors waned. Despite inflation remaining over target, the Bank of England maintained Bank Rate at 0.5% to avoid the risk of a further downturn in economic growth, with just one Monetary Policy Committee (MPC) member voting for a rise in July and August.

Looking ahead, the economic recovery is expected to slow as government spending cuts and tax rises dampen demand. The Bank of England expects lower demand to weigh on inflation, eventually causing the CPI rate to fall below target in the medium term. The most recent Bank of England forecasts for GDP growth and inflation suggest little need for monetary tightening for some time.

4.00 TREASURY MANAGEMENT ACTIVITIES DURING THE PERIOD APRIL – AUGUST 2010

4.01 The following were the main Treasury activities during the period:

- A Quarterly update report including a Landsbanki update was presented to the Audit Committee on 28th June 2010. Another update is due at the meeting on 29th September.
- The Council was one of the first members of the CIPFA Treasury Management Forum and continues to be an active member of the CIPFA Benchmarking Club. A number of topical issues are being discussed within the forum.
- The Council's Treasury Adviser contract was tendered in March 2010. Three offers were received and the evaluation report recommended the re-appointment of Sterling Consultancy Services. The contract began on

1st May 2010 and is for is for 3 years until 30th April 2013 with an option to extend for a further 2 years.

- Data has been supplied to CIPFA on debt and investment levels as at 30th June 2010. This will be used for a nationwide Risk Survey and results should be available in late September.
- The maximum investments the Authority had on deposit at any one time was £70.9 million (m). The average investment balance was £61.3m. The financial environment during this time continued to be challenging.
- Two longer term investments were made during June 2010 (see paragraph 6.06).
- Several new Counterparties, meeting the Council's ratings criteria and on the current lending list have been used to further spread risk.
- Work on a 3 year rolling cash flow forecast is on-going.
- The Council's cash flow was managed on a daily basis. The Authority acted both as a borrower and as a lender and was a net borrower over the period in question. The maximum long-term borrowing at any one time was £173.6m. Restructuring of debt took place in May 2010, with estimated savings in the region of £250k for 2010/11 (see paragraph 5.02).

5.00 TREASURY MANAGEMENT DEBT STRATEGY

5.01 The total long term debt outstanding, brought forward into 2010/11 totalled £173.6m of which £154.7m was at fixed rate and £18.9m was variable in the form of Lobo's (Lender's Option, Borrower's Option). The Council's overall borrowing rate was 5.65%

5.02 The Debt Strategy as stated in the Policy Statement 2010/11 and the mid-year outcomes are recorded below:

- To effect borrowing required in 2010/11 at the cheapest cost commensurate with future risk based on interest rate forecasts outlined in the strategy statement

There was a long term borrowing requirements of £2.45m for 2010/11, as reported in the Treasury Management Policy & Strategy Statement. However no borrowing has yet been undertaken as it has not been required and there is a heightened credit risk of temporarily investing borrowed cash.

- The Head of Finance will keep under review, along with its Treasury Consultants, the opportunities which may arise for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility). Any actions carried out under delegated powers will be reported to the Executive and County Council as appropriate.

Some debt re-structuring was undertaken in May 2010. Five loans with interest rates of 4.45% have been reduced in total by £10m and replaced by a new variable rate loan at 0.65% for 10 years. After consideration of the cost of the premium for early repayment and the allocation of savings to the HRA, the resultant savings were estimated to be in the region of £250K for 2010/11, which is already assumed as part of the 2010/11 budget. Details of the transaction are shown below:

Repaid Loans

Ref	Original Amount	Amount Repaid	Rate	Maturity Date
490416	3,700,000	2,000,000	4.45%	18 April 2031
490417	6,900,000	2,000,000	4.45%	18 April 2032
490418	6,600,000	2,000,000	4.45%	18 April 2033
490419	3,800,000	2,000,000	4.45%	18 April 2034
490420	4,244,611	2,000,000	4.45%	18 April 2035

New Loan

497119	10,000,000		0.65%	05 May 2020
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Further re-structuring and debt repayment is under review.

- To 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 within the strategy statement.

The debt portfolio of the Council has changed slightly since the debt restructuring as the part paid loans were longer term than the new 10 year loan. The debt maturity profile as at 31 August 2010 is shown on page 11. This shows a debt maturity profile in line with CIPFA's recommendations of having no more than 10% of the debt portfolio maturing in any one future year.

- To 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 the strategy statement.

The Council has one variable PWLB rate loan of £10 million. This is within the Council's limit of £20 million for variable interest rate exposures. The interest rate on the Council's LOBOS can be increased by the lender but the Council has the opportunity to repay. This event has not occurred in 2010/11 as market rates remain low.

6.00 TREASURY MANAGEMENT INVESTMENT STRATEGY

6.01 The Council's investment strategy is:

The Council hold surplus funds which represent income received in advance of expenditure plus balances and reserves held. Both the CIPFA Code and WAG Guidance require the Council to invest prudently and to have regard to security and liquidity of its investments before seeking the highest rate of return or yield.

Part 1 of the Local Government Act 2003, which introduced the Prudential Capital Finance System, gives a local authority power to invest for any purposes relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs. The Act requires an authority to 'have regard to guidance issued by Welsh Assembly Government (WAG)'.

The WAG requires a local authority, before the start of each financial year, to draw up an Investment Strategy which must be approved by the full council and be published. This document should contain certain investment limits. As allowed by the Guidance, Flintshire County Council incorporate the requirements this Policy Statement. WAG Guidance requires the Council to approve certain investment limits and other related information on the following:

- Specified Investments
- Non-specified Investments
- Investments which can be prudently committed for more than one year
- Credit Risk Assessment
- Investment Consultants
- Investment Training
- Investment money borrowed in advance of need.

6.02 Investment transactions totalled £160.1m during the period with interest earned amounting to £200k. Temporary investment income receivable for 2010/11 is currently projected to be near the budgeted level of £544k. A full list of transactions undertaken is available in the background papers. All investments were made in accordance with the Treasury Management Policy & Strategy Statement 2010/11.

6.03 The weighted average temporary investment rate obtained for August of 0.75% is higher than the seven day LIBID rate of 0.43% which is a proxy of a return without effective cash flow management.

6.04 No temporary borrowing was required during this period which is a measure of the accuracy of short term cash flow management.

6.05 The maturity of investments has been regularly reviewed with the aim of maximising returns whilst managing the risk of future interest rate movements.

As at 31 August 2010, the maturity of investments is shown in the table below:

Maturity Due	Percentage of Portfolio		
	Policy %	April 2010 %	August 2010 %
< 1month	35.0	84.2	52.7
1 – 12 months	55.0	8.0	36.7
> 12 months	10.0	0.0	3.7
Icelandic Investments		7.8	6.9

This table shows that the percentage of cash invested in the short term has reduced during the year from 84.2% of the portfolio to 52.7%, thereby reducing interest rate risk. Although the percentage of shorter term investments is still higher at 52.7% than that stated in the Policy Statement of 35%, most of the cash is invested in call accounts which at this time are paying higher rates than other counterparties in the market for over 1 month. This is an unusual situation and is being monitored.

6.06 The Investment Strategy sets a limit of £40 million for non-specified investments. Non-specified investments are defined as investments over 364 days, including forward deals with counterparties which meet the credit rating. The following long term investments have been made in 2010/11:

- £2 million invested with Barclays bank for 367 days at 1.34%
- £2 million 'collared' investment made for 2 years. The interest rate, which is based on LIBOR plus 15 basis points, will be reviewed every 3 months and is subject to a minimum of 1.85% and a maximum of 3.70%. The rate for the first 3 months was set at 1.85%

6.07 It is Council policy to minimise daily cash flow balances. However, on certain occasions it is uneconomic to deal (below £200,000) and therefore, the balance is kept in the bank account.

6.08 The performance of external cash managers is monitored by Sterling Consultancy Services and if it is considered appropriate in the future to appoint such a manager, then a recommendation will be made to Executive. Several councils are using money market funds for short term cash investments. Flintshire's Policy Statement excludes money market funds due to current Welsh legislation which states that the purchase of shares in a money market fund by a local authority counts as capital expenditure. However, this may go some way to

explaining why this Council has experienced more difficulty in placing short term cash. A business case for investing in Money Markets Funds is being prepared.

7.00 LANDSBANKI INVESTMENTS - UPDATE

7.01 On 7th October 2008, Landsbanki was placed in receivership. At that time Flintshire had £3.7 million of Council monies invested with the UK subsidiary. The investments were made as follows –

£1.2 million maturing 17th October 2008 (invested on 22nd July 2008)

£1.5 million maturing 14th November 2008 (invested on 1st September 2008)

£1.0 million maturing 18th November 2008 (invested on 8th September 2008)

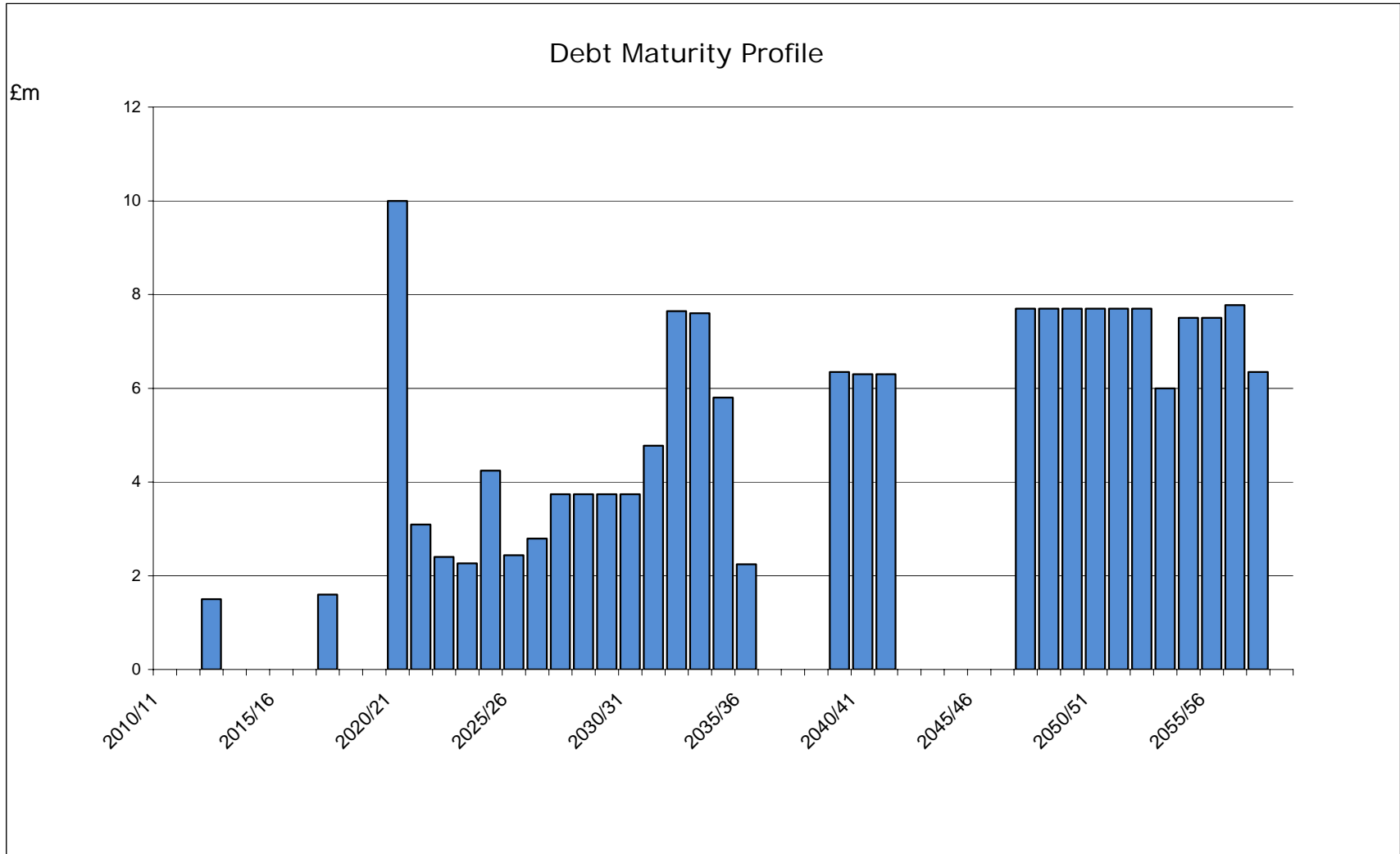
7.02 A recent update, dated 7th September 2010, from Bevan Brittan has detailed that filed written submissions of the test case authorities have been served together with the supporting documentation. The cases are likely to be allocated by the Chief Justice of the Icelandic District Court after 1st October 2010, hopefully the first hearing of the case will be mid to late October.

8.00 PEER GROUP PERFORMANCE COMPARISON

8.01 Flintshire County Council is a member of the CIPFA Treasury Management Benchmarking Club. Half yearly data will be sent to CIPFA in early October and the Benchmarking Report will be returned at the end of October. The findings will be reported to Audit Committee on 22nd December 2010.

9.00 CONCLUSION

9.01 The Treasury Management function has operated within the statutory and local limits detailed in the 2010/11 Treasury Management Policy Statement.



Flintshire County Council

Investments as at 31st August - by maturity date

Counterparty Name	Amount £m	Start Date	Maturity	Interest Rate	Interest Earned during investment period	Period to Maturity	£m
LANDSBANKI ISLANDS	1.2	22-Jul-08	17-Oct-08	5.82%	16,646.79	Not Returned	Iceland
LANDSBANKI ISLANDS	1.5	1-Sep-08	14-Nov-08	5.70%	17,334.25	Not Returned	Iceland
LANDSBANKI ISLANDS	1.0	8-Sep-08	18-Nov-08	5.67%	11,029.32	Not Returned	Iceland
CLYDESDALE BANK	3.0	1-Jul-10	17-Sep-10	0.85%	5,449.32	1 month or less	
KENT RELIANCE BUILDING SOCIETY	2.8	5-Jul-10	17-Sep-10	0.50%	2,838.36	1 month or less	
CLYDESDALE BANK	3.0	5-Jul-10	22-Sep-10	0.85%	5,519.18	1 month or less	
OVERSEA-CHINESE BANK	1.5	5-Jul-10	22-Sep-10	0.55%	1,785.62	1 month or less	
LEEDS BUILDING SOCIETY	1.5	5-Jul-10	28-Sep-10	0.60%	2,095.89	1 month or less	
KENT RELIANCE BUILDING SOCIETY	2.0	5-Jul-10	28-Sep-10	0.40%	1,863.01	1 month or less	
SCHRODERS & CO	1.5	2-Aug-10	28-Sep-10	0.58%	1,358.63	1 month or less	
OVERSEA-CHINESE BANK	1.5	2-Aug-10	28-Sep-10	0.40%	936.99	1 month or less	
NATIONAL WESTMINSTER BANK	0.9	31-Mar-10	30-Sep-10	0.80%	22,860.27	1 month or less	
BANK OF SCOTLAND	4.3	16-Jul-10	30-Sep-10	0.75%	6,715.07	1 month or less	
CLOSE BROTHERS	2.0	16-Jul-10	30-Sep-10	0.75%	3,123.29	1 month or less	
BANK OF SCOTLAND	0.7	23-Jul-10	30-Sep-10	0.75%	992.47	1 month or less	
NATIONWIDE BUILDING SOCIETY	2.0	2-Aug-10	30-Sep-10	0.51%	1,648.77	1 month or less	
COVENTRY BUILDING SOCIETY	1.2	3-Aug-10	30-Sep-10	0.50%	953.42	1 month or less	
BANK OF SCOTLAND	0.4	6-Aug-10	30-Sep-10	0.75%	452.05	1 month or less	28.3
HANDELSBANKEN	4.0	4-Aug-10	18-Oct-10	0.75%	6,164.38	1 - 2 months	
HANDELSBANKEN	3.0	4-Aug-10	22-Oct-10	0.75%	4,869.86	1 - 2 months	
SHEFFIELD CITY COUNCIL	1.0	5-Aug-10	22-Oct-10	0.31%	662.47	1 - 2 months	
COVENTRY BUILDING SOCIETY	1.8	16-Aug-10	28-Oct-10	0.58%	2,088.00	1 - 2 months	
SCHRODERS & CO	0.5	16-Aug-10	28-Oct-10	0.58%	580.00	1 - 2 months	
BIRMINGHAM CITY COUNCIL	1.2	17-Aug-10	28-Oct-10	0.29%	686.47	1 - 2 months	
COVENTRY BUILDING SOCIETY	2.0	18-Aug-10	28-Oct-10	0.57%	2,217.53	1 - 2 months	
SHEFFIELD CITY COUNCIL	1.7	20-Aug-10	28-Oct-10	0.32%	1,028.38	1 - 2 months	15.2
NOTTINGHAM BUILDING SOCIETY	1.4	18-May-10	18-Nov-10	1.45%	10,233.42	2 - 3 months	
NOTTINGHAM BUILDING SOCIETY	1.1	20-May-10	26-Nov-10	1.47%	8,147.26	2 - 3 months	2.5
BARCLAYS BANK	2.0	15-Jun-10	17-Jun-11	1.34%	26,946.85	10 months	2.0
BARCLAYS BANK	2.0	15-Jun-10	15-Jun-12	1.85%	74,101.37	1 year+	2.0
	53.7				241,328.69		53.7
Summary	Total		1 month or less	1 - 3 months	3 months +	12 months +	Iceland
	£m	%	£m	£m	£m	£m	
DEBT MANAGEMENT OFFICE (DMO)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UK	36.1	67.2	25.3	6.8	2.0	2.0	0.0
OTHER LOCAL AUTHORITIES	3.9	7.3	0.0	3.9	0.0	0.0	0.0
ICELAND (LANDSBANKI)	3.7	6.9	0.0	0.0	0.0	0.0	3.7
OVERSEAS	10	18.6	3.0	7.0	0.0	0.0	0.0
	53.7		28.3	17.7	2.0	2.0	3.7
		100.0%	45.0%	40.2%	3.6%	5.8%	5.4%

Flintshire County Council

Investments as at 31st August 2010 - by bank

Counterparty Name	Amount £m	Start Date	Maturity	Interest Rate	Interest Earned during investment period	Period to Maturity	£m
BANK OF SCOTLAND	4.3	16-Jul-10	30-Sep-10	0.75%	6,715.07	1 month or less	
BANK OF SCOTLAND	0.7	23-Jul-10	30-Sep-10	0.75%	992.47	1 month or less	
BANK OF SCOTLAND	0.4	6-Aug-10	30-Sep-10	0.75%	452.05	1 month or less	5.4
BARCLAYS BANK	2.0	15-Jun-10	17-Jun-11	1.34%	26,946.85	10 months	
BARCLAYS BANK	2.0	15-Jun-10	15-Jun-12	1.85%	74,101.37	1 year+	4.0
BIRMINGHAM CITY COUNCIL	1.2	17-Aug-10	28-Oct-10	0.29%	686.47	1 - 2 months	1.2
CLOSE BROTHERS	2.0	16-Jul-10	30-Sep-10	0.75%	3,123.29	1 month or less	2.0
CLYDESDALE BANK	3.0	1-Jul-10	17-Sep-10	0.85%	5,449.32	1 month or less	
CLYDESDALE BANK	3.0	5-Jul-10	22-Sep-10	0.85%	5,519.18	1 month or less	6.0
COVENTRY BUILDING SOCIETY	1.2	3-Aug-10	30-Sep-10	0.50%	953.42	1 month or less	
COVENTRY BUILDING SOCIETY	1.8	16-Aug-10	28-Oct-10	0.58%	2,088.00	1 - 2 months	
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HANDELSBANKEN	3.0	4-Aug-10	22-Oct-10	0.75%	4,869.86	1 - 2 months	7.0
KENT RELIANCE BUILDING SOCIETY	2.8	5-Jul-10	17-Sep-10	0.50%	2,838.36	1 month or less	
KENT RELIANCE BUILDING SOCIETY	2.0	5-Jul-10	28-Sep-10	0.40%	1,863.01	1 month or less	4.8
LANDSBANKI ISLANDS	1.2	22-Jul-08	17-Oct-08	5.82%	16,646.79	Not Returned	
LANDSBANKI ISLANDS	1.5	1-Sep-08	14-Nov-08	5.70%	17,334.25	Not Returned	
LANDSBANKI ISLANDS	1.0	8-Sep-08	18-Nov-08	5.67%	11,029.32	Not Returned	3.7
LEEDS BUILDING SOCIETY	1.5	5-Jul-10	28-Sep-10	0.60%	2,095.89	1 month or less	1.5
NATIONAL WESTMINSTER BANK	0.9	31-Mar-10	30-Sep-10	0.80%	22,860.27	1 month or less	0.9
NATIONWIDE BUILDING SOCIETY	2.0	2-Aug-10	30-Sep-10	0.51%	1,648.77	1 month or less	2.0
NOTTINGHAM BUILDING SOCIETY	1.4	18-May-10	18-Nov-10	1.45%	10,233.42	2 - 3 months	
NOTTINGHAM BUILDING SOCIETY	1.1	20-May-10	26-Nov-10	1.47%	8,147.26	2 - 3 months	2.5
OVERSEA-CHINESE BANK	1.5	5-Jul-10	22-Sep-10	0.55%	1,785.62	1 month or less	
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SCHRODERS & CO	0.5	16-Aug-10	28-Oct-10	0.58%	580.00	1 - 2 months	2.0
SHEFFIELD CITY COUNCIL	1.0	5-Aug-10	22-Oct-10	0.31%	662.47	1 - 2 months	
SHEFFIELD CITY COUNCIL	1.7	20-Aug-10	28-Oct-10	0.32%	1,028.38	1 - 2 months	2.7
					241,328.69		53.7

BUILDING SOCIETY SECTOR LIMITS

Currently, the Treasury Management Policy & Strategy Statement states that the maximum percentage of the investment portfolio which may be invested in the Building Society sector is 60%.

This percentage is re-calculated daily and compared against actual investments. This will calculate how much can be invested in that sector on that day.

Below is an example from 20th August 2010 –

Sector	Current Investments (£)	% of Portfolio	Limit (%)
Bank	42,700,000	68	100
Building Society	15,800,000	25	60
Local Authority	2,200,000	4	100
Total	60,700,000		
Amount to invest 20/08/2010	1,700,000	3	
Total Portfolio	62,400,000		

The Building Society Sector Limit of 60% would therefore be £37,440,000 for the day. £15.8m is already invested, so another £21.64m is available with Building Societies.

Occasionally however, when Building Society investments are closer to the 60% limit, a reduction of investments in any of the other sectors can push the Building Society totals over the limit as shown in the examples below –

13th August 2009

Sector	Current Investments (£)	% of Portfolio	Limit (%)
Bank	10,200,000	14	100
Building Society	41,300,000	59	60
Debt Management Office	18,900,000	27	100
Total	70,400,000		
Amount to invest 13/08/2009	0		
Total Portfolio	70,400,000		

The Building Society Sector Limit of 60% would therefore be £42,240,000 for the day. £41.3m is already invested, so only another £940,000 is available with Building Societies. However, on 14th August maturities with a bank (£1.5m) and the DMO (£2.0m) changed the totals as follows –

Sector	Current Investments (£)	% of Portfolio	Limit (%)
Bank	8,700,000	13	100
Building Society	41,300,000	62	60
Debt Management Office	16,900,000	25	100
Total	66,900,000		
Amount to invest 14/08/2009	0		
Total Portfolio	66,900,000		

The Building Society Sector Limit of 60% would now be £40,140,000 meaning that investments were £1,160,000 over limit although no new investment had been made.

An additional sentence added to paragraph 3.3.4 in the 2010/11 Policy Statement stating 'where investment limits are expressed as a percentage these will apply at the time the investment is made', would ensure that treasury activities are not in breach of the Treasury Management Policy.

FLINTSHIRE COUNTY COUNCIL**ESTIMATED LONG TERM BORROWING ANALYSIS 2010/11**

LOAN NO.	PRINCIPAL OUTSTANDING 31/03/2010	INTEREST RATE	START DATE	MATURITY DATE	TOTAL INTEREST 2010/11
	£	%			£
P W L B LOANS					
FIXED RATE LOANS - MATURITY					
458641	2,436,316.12	9.5000	20-Mar-86	30-Nov-25	231,450.04
459116	1,392,180.64	9.1250	1-Apr-86	30-Nov-23	127,036.48
459117	1,218,158.05	9.1250	1-Apr-86	30-Nov-21	111,156.92
464207	696,090.32	9.1250	24-Mar-88	30-Nov-27	63,518.24
465154	696,090.32	9.5000	25-Aug-88	31-Mar-28	66,128.58
465498	870,112.89	9.2500	26-Oct-88	30-Sep-23	80,485.44
466822	1,044,135.48	9.5000	26-May-89	31-Mar-25	99,192.88
466823	1,044,135.48	9.5000	26-May-89	31-Mar-29	99,192.88
476369	561,641.52	8.2500	28-Sep-95	30-Sep-32	46,335.42
476370	181,119.57	8.6250	28-Sep-95	30-Sep-32	15,621.56
476371	348,045.16	8.2500	28-Sep-95	30-Sep-27	28,713.72
476372	696,090.32	8.2500	28-Sep-95	30-Sep-28	57,427.46
476373	1,740,225.80	8.2500	28-Sep-95	30-Sep-29	143,568.62
476374	1,740,225.80	8.2500	28-Sep-95	30-Sep-30	143,568.62
476375	1,740,225.80	8.2500	28-Sep-95	30-Sep-31	143,568.62
476376	522,067.73	8.2500	28-Sep-95	30-Sep-21	43,070.58
476377	696,090.32	8.2500	28-Sep-95	30-Sep-24	57,427.46
476378	1,740,225.80	8.2500	28-Sep-95	30-Sep-26	143,568.62
476379	1,000,281.79	8.6250	28-Sep-95	30-Sep-22	86,274.30
479278	2,000,000.00	7.7500	18-Apr-97	18-Oct-27	155,000.00
479279	2,000,000.00	7.7500	18-Apr-97	18-Oct-28	155,000.00
479280	2,000,000.00	7.7500	18-Apr-97	18-Oct-29	155,000.00
479281	2,000,000.00	7.7500	18-Apr-97	18-Oct-30	155,000.00
479511	1,500,000.00	7.3750	22-May-97	22-Nov-12	110,625.00
479512	1,600,000.00	7.3750	22-May-97	22-Nov-17	118,000.00
479726	4,000,000.00	7.1250	17-Jul-97	31-Mar-55	285,000.00
479727	4,000,000.00	7.1250	17-Jul-97	31-Mar-56	285,000.00
479728	4,492,873.00	7.1250	17-Jul-97	31-Mar-57	320,117.20
479730	3,500,000.00	7.0000	17-Jul-97	31-Mar-55	245,000.00
479731	3,500,000.00	7.0000	17-Jul-97	31-Mar-56	245,000.00
479732	3,278,252.00	7.0000	17-Jul-97	31-Mar-57	229,477.64
480979	1,333,332.00	5.7500	20-May-98	18-Apr-31	76,666.60
480980	1,050,000.00	6.0000	20-May-98	18-Apr-26	63,000.00
481008	2,000,000.00	5.7500	9-Jun-98	30-Sep-32	115,000.00
481009	3,000,000.00	5.7500	9-Jun-98	30-Sep-33	172,500.00
481010	4,000,000.00	5.7500	9-Jun-98	30-Sep-34	230,000.00
481313	3,850,000.00	5.2500	17-Sep-98	31-Mar-58	202,125.00
481856	1,200,000.00	4.7500	8-Dec-98	31-Mar-54	57,000.00
481857	2,500,000.00	4.7500	8-Dec-98	31-Mar-58	118,750.00
481859	4,800,000.00	4.5000	8-Dec-98	31-Mar-54	216,000.00
482451	6,000,000.00	4.6250	1-Apr-99	31-Mar-53	277,500.00
482487	4,000,000.00	4.5000	22-Apr-99	31-Mar-52	180,000.00
482838	1,700,000.00	4.5000	10-Aug-99	31-Mar-53	76,500.00
482839	3,700,000.00	4.5000	10-Aug-99	31-Mar-52	166,500.00
482840	7,700,000.00	4.5000	10-Aug-99	31-Mar-51	346,500.00
482841	7,700,000.00	4.5000	10-Aug-99	31-Mar-50	346,500.00
482842	7,700,000.00	4.5000	10-Aug-99	31-Mar-49	346,500.00
482843	7,700,000.00	4.5000	10-Aug-99	31-Mar-48	346,500.00
485478	2,500,000.00	4.7500	5-Apr-01	31-Mar-25	118,750.00
486192	1,400,000.00	4.5000	15-Nov-01	31-Mar-23	63,000.00
486193	1,350,000.00	4.5000	15-Nov-01	31-Mar-22	60,750.00
490416	1,700,000.00	4.4500	2-Aug-05	18-Apr-31	76,741.16
490417	4,900,000.00	4.4500	2-Aug-05	18-Apr-32	212,703.91
490418	4,600,000.00	4.4500	2-Aug-05	18-Apr-33	199,957.39
490419	1,800,000.00	4.4500	2-Aug-05	18-Apr-34	80,990.00
490420	2,244,611.00	4.4500	2-Aug-05	18-Apr-35	99,880.79
TOTAL PWLB - FIXED	144,662,526.91				8,547,732.91
MARKET LOANS - FIXED RATE					
323878	6,350,000.00	4.48000	24-Jul-07	24-Jan-40	285,259.40
323886	6,300,000.00	4.52500	24-Jul-07	24-Jan-41	285,075.00
323902	6,300,000.00	4.58000	24-Jan-07	24-Jan-42	288,540.00
TOTAL MARKET - FIXED	18,950,000.00				858,874.40
P W L B LOANS					
VARIABLE RATE LOANS - MATURITY					
497119	10,000,000.00	0.6500	5-May-10	5-May-20	108,986.30
TOTAL PWLB - VARIABLE	10,000,000.00				108,986.30
TOTAL - ALL LOANS	173,612,526.91				9,515,593.62

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 7

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **CHIEF EXECUTIVE**
SUBJECT : **RISK MANAGEMENT UPDATE**

1.00 PURPOSE OF REPORT

- 1.01 To endorse the complete revision of the Risk Management Strategy and to update Members on a number of issues on Risk Management and Business Continuity.

2.00 BACKGROUND

- 2.01 Quarterly Risk Management reports are reported to Audit Committee.

3.00 CONSIDERATIONS

3.01 Risk Management Strategy

The current Risk Management Strategy was written in 2006 with later amendments. The Council's approach to risk management has matured considerably during the past two - three years. Corporate Management Team and the Policy, Performance and Partnerships Unit have continued to develop and refine risk management to integrate it into performance management systems and business planning processes. The Strategic Assessment of Risks and Challenges (SARC) has developed and become part of the business language of the Council. It has therefore become necessary to completely revise the Risk Management Strategy.

3.02 The revision has taken into account:

- the matured approach to risk management
- the development of the SARC
- the business planning process
- the development of the business continuity process
- the Governance Framework
- the development of the Strategic Partnership Governance Framework
- the adoption of a refined Risk Matrix (Likelihood and Impact)

3.03 A copy of the complete revision of the Risk Management Strategy is attached at Appendix 1. This includes a development of the risk matrix.

3.04 New Risk Matrix

Date: 23/09/2010

The new risk matrix is a more sophisticated version of the 3 x 3 matrix currently used, having been reworked to include a minimal risk score (dark green) and a critical score (dark red). Likelihood and impact criteria have been developed for the new bandings to help with evaluation and improve consistency.

3.05 **SARC Refresh**

The latest full review of the SARC highlighted that whilst the Red, Amber, Green (RAG) status had been an effective record of progress against actions identified to mitigate the risks, some needed to be reviewed to reflect changing circumstances. This could be due to the nature of the risk itself having changed, the initial description needing amendment, or a new risk emerging.

3.06 The refresh needed to take into account:

- emerging new risks
- a review of the risk description - its accuracy and reflection of the 'cause' of the risk
- a review of the RAG status, taking into account the changing character of the risk description and reviewing the status against the new likelihood and impact matrix.
- a review of the risk actions - their appropriateness

3.07 There are two stages to refreshing risks:

- firstly to review the nature of the risks and their description
- secondly to review the risk actions and RAG status

The first stage of the refresh will be reviewed at a joint scrutiny workshop on 27th September 2010, where Members will be invited to review and comment on the proposed changes to existing risks and give endorsement to new risks.

3.08 **Business Continuity Management - Plan Testing**

The Corporate Business Continuity Plan has been tested on 20th September 2010 using the table top exercise "Operation Phased Out". This exercise was developed in house to test the effectiveness and rigour of the plan and to ensure that the Council can:

- confirm the nature and extent of the incident
- take control of the situation
- contain the incident
- communicate with stakeholders

The objectives are:

- broaden understanding of individual roles within the Corporate Business Continuity Plan
- highlight areas of the plan which may need further development

- raise awareness of the importance of Business Continuity Management within the Council
- give assurance that the Council can deal effectively with a disruptive emergency

A verbal update will be given on the effectiveness and rigour of the Corporate Business Continuity Plan.

3.09 Throughout October the Mission Critical Service plans will also be tested using a similar table top exercise, the results from which will be reported to a future Audit Committee.

4.00 RECOMMENDATIONS

4.01 That Members endorse the revised Risk Management Strategy and note the progress made in Business Continuity.

5.00 FINANCIAL IMPLICATIONS

5.01 Financial implications will be assessed with each individual risk.

6.00 ANTI POVERTY IMPACT

6.01 Disadvantaged communities will be protected by the risk assessment.

7.00 ENVIRONMENTAL IMPACT

7.01 Any environmental impact will be minimised from the actions relating to the risk assessment.

8.00 EQUALITIES IMPACT

8.01 Disadvantaged communities will be protected by the risk assessment.

9.00 PERSONNEL IMPLICATIONS

9.01 Flexibility of staff will be required to deliver the mitigating actions from the SARC.

10.00 CONSULTATION REQUIRED

10.01 Corporate Management Team, Audit Committee(process) Scrutiny Committee (detail)

11.00 CONSULTATION UNDERTAKEN

- 11.01 Corporate Management Team, Audit Committee(process) Scrutiny
Committee (detail)

12.00 APPENDICES

- 12.01 Appendix 1 Risk Management Strategy (complete revision)

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

None

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FLINTSHIRE COUNTY COUNCIL

RISK MANAGEMENT STRATEGY 2010

MANAGING RISK CORPORATELY

JULY 10
(COMPLETE REVISION)

Table of Contents

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1.0 INTRODUCTION

1.1 By definition, Risk Management is:

The process of identifying risks, evaluating their potential consequences (IMPACT) and determining the most effective methods of controlling them or responding to them. The aim is to reduce the frequency (LIKELIHOOD) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (IMPACT) if they occur.'

Risks can threaten the assets, the earnings, the reputation and the personnel of the Council and can impact on the Council's ability to deliver its priorities and objectives.

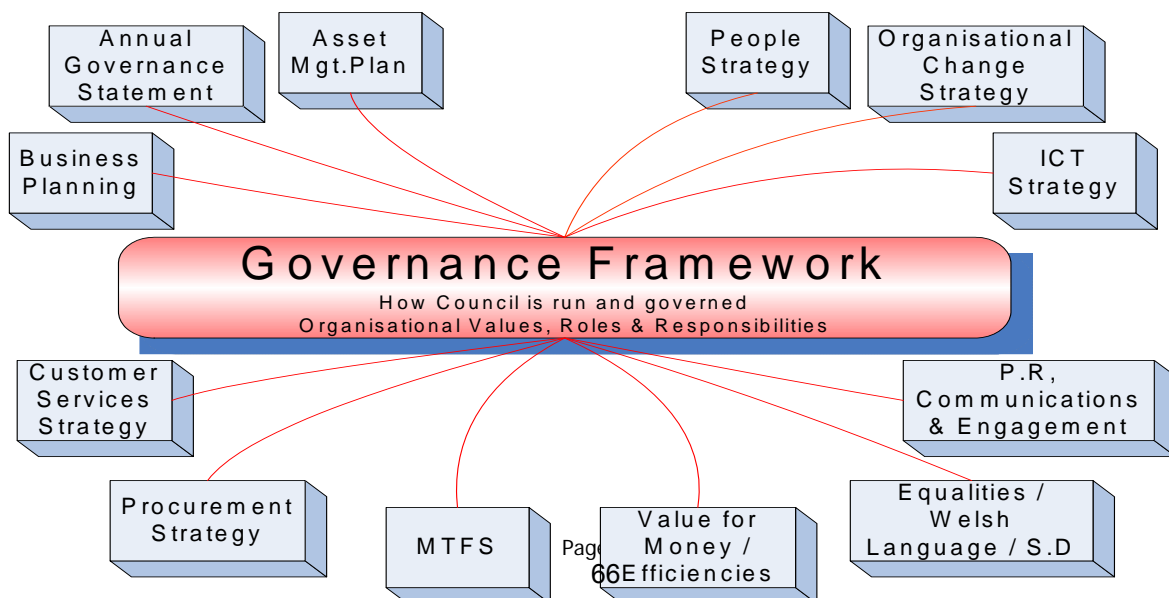
1.2 It is not possible to eliminate all risk but it is vital that risks are recognized and recorded and that their potential to cause loss is fully understood. Based on this information, action can be taken to direct appropriate levels of resource at controlling the risk or minimising the effect of potential loss.

1.3 Many people see risk management as an inherently negative process. Risk management should be seen as a process that allows us to take risk but in a calculated and controlled manner.

2.0 RISK AS PART OF THE GOVERNANCE FRAMEWORK

2.1 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the principles of openness and inclusiveness, integrity and accountability together with the overarching concept of leadership. It is an interrelated system that brings together the underlying set of legislative requirements, governance principles and management processes.

2.2 Risk Management is an integral part of the Council's Governance Framework and Internal Control and aids informed and transparent decisions by ensuring that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their everyday job.



- 2.3 Internal controls are those elements of an organisation (including resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of objectives. Internal financial control systems form part of the wider system of internal controls.

The Council's system of internal control is part of its risk management process and has a key role to play in the management of significant risks to the fulfilment of its business objectives.

3.0 WHY MANAGE RISKS – THE BENEFITS

- 3.1 Effective Risk Management will deliver a number of tangible and intangible benefits to individual services and to the Council as a whole. These can vary in their nature and extent from service to service. However, they will be important to the Council's reputation and to its ability to deliver continuous improvement.

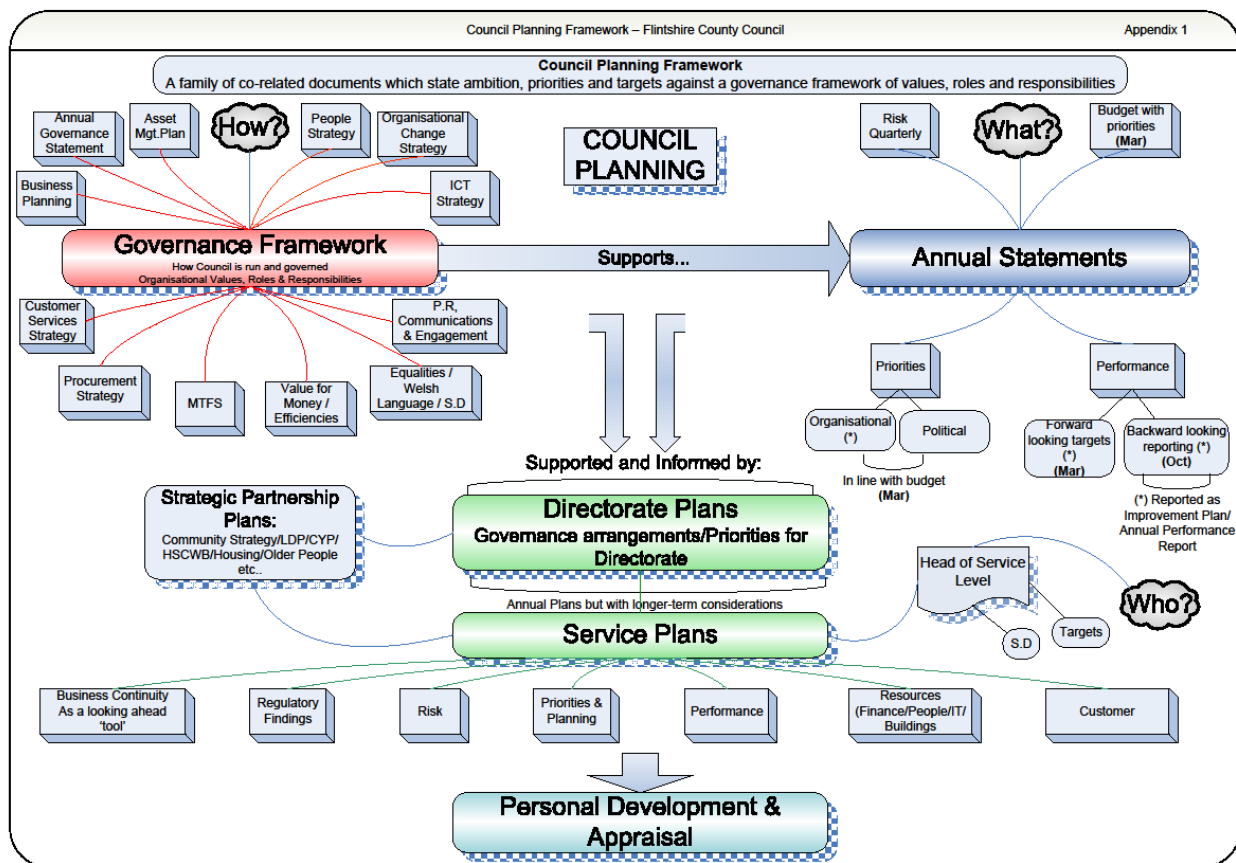
- 3.2 Benefits of managing risk effectively include:

- Improved strategic management.
- Improved business planning.
- Improved operational management.
- Improved financial management.
- Improved customer service.
- Improved corporate governance and control systems.
- Effective performance and achievement of objectives.
- Increased support and justification for the decision making process
- Enhanced reputation and public confidence.
- Prioritisation of resources

- 3.3 The Risk Management Strategy will assist in linking risk management, service planning (including business continuity planning), performance management and resource allocation.

4.0 HOW RISK FITS – BUSINESS PLANNING

- 4.1 The council produces annual plans which are reviewed and refreshed periodically throughout the year; at least quarterly to inform on-going budget planning.
- 4.2 The purpose of these plans is to provide clarity on the priorities for the service in line with the Directorate priorities to:
- Incorporate governance and accountability arrangements within the Service.
 - Contribute to Directorate and Partnership priorities.
- 4.3 Predominately the focus is what needs to be achieved in-year, however plans increasingly will have longer term considerations when considering financial impacts, sustainable services, business continuity and longer term performance and improvement commitments.



- 4.3 The core components of business planning are:

- **Customers** – Who are they and what are their expectations?
- **Performance** – How has the service performed in the last year? Where should improvements be concentrated?
- **Risk** – What are the risks to service delivery and how will these be mitigated?

- **Regulatory Findings** – What have regulators/inspections revealed about the service and how are negative findings to be remedied?
- **Priorities & Planning** – What are the priorities for the service and how will they be delivered?
- **Resources** – What resource is available to the service and how are these best deployed to deliver the service objectives/priorities?
- **Business Continuity** – Which elements of the service are critical and must be continued in the event of an emergency?

5.0 TYPES OF RISK

5.1 Risks can be classified into various types but it is important to recognise that, for all categories, the direct financial losses may have less impact than the indirect costs consequences such as the impact on the Council's ability to deliver its priorities and objectives, the disruption of normal working and adverse staff morale. The examples below are not exhaustive.

5.2 Strategic Risk

Risks that have the potential to impact the ambitions of the Council or those of the Community Strategy.

The council has identified, assessed and evaluated its strategic risks and these are incorporated into a document known as the Strategic Assessment of Risks and Challenges. This document provides the foundation for both the Council Plan and Regulatory Plan. It defines and details the priorities for change and improvement and is supported by our business planning processes and disciplines of service planning, risk management, business continuity and financial monitoring and review. The Strategic Assessment of Risks and Challenges (SARC) is divided into 3 sections:

Community Leadership – critical local issues which cannot be solely delivered by the Council (e.g. affordable housing, Community Strategy review)

Council Delivery - public service issues which are largely within the control and responsibility of the Council (e.g. housing, school buildings, waste management)

Council Governance – issues of organisational governance and management (e.g. finance, human resources, information and communications technology)

5.3 The SARC should be considered a live resource that is updated quarterly to reflect:

- Emerging risks.
- Reviewing of new business risks, external threats and opportunities.

- Consideration of existing risks and changes in priority.

Operational/Service Risk

- 5.4 Risks that affect the successful delivery of individual service objectives. They are often built into service planning and managers and staff will encounter them in the daily course of their work, e.g. malfunctioning equipment, hazards to service users, the general public or staff, damage to property etc. Operational risk also includes insurance claims and higher insurance premiums,
- 5.5 Not all these risks are insurable and for some the premiums may not be cost-effective. Even where insurance is available, money may not be an adequate recompense. The emphasis should always be on eliminating or minimising risk, before costly steps to transfer risk to another party (insurance) are considered.
- 5.6 Risk is not restricted to potential threats but can be connected with opportunities. Good Risk Management can facilitate proactive, rather than merely defensive, responses.
- 5.7 It should be noted that some risk is unavoidable and it is not within the ability of the organisation to completely mitigate it – for example a risk arising from terrorist activity. In such cases the organisation needs to make contingency plans.

Business Continuity

- 5.8 The Civil Contingencies Act requires Category 1 responders, which Flintshire County Council is one; to maintain plans to ensure that they can continue to perform their functions in the event of an emergency.
- 5.9 Business Continuity Management (BCM) is a planned process aimed at managing the many varied operational risks inherent in the day to day activities involved in the delivery of service.
- 5.10 The Council had identified 23 mission critical services and plans are in place to ensure these services can still be delivered in the event of an emergency.
- 5.11 The Council has developed a Corporate Business Continuity Plan to provide an overall framework within which the Mission Critical Plans operate. They have been developed to complement the overall risk arrangements, help maintain critical services during and after any major emergency and promote recovery. Overall strategic responsibility for ensuring that services are maintained is the responsibility of the Council's Corporate Management Team.
- 5.12 Continuity risks that are identified in risk assessments should be, if appropriate, incorporated into relevant Business Continuity Plans and should be managed within the risk management process.

Project Risk

- 5.12 Some amount of risk taking is inevitable if a project is to achieve its objectives. The aim is to manage that exposure by taking action to keep exposure to an acceptable level in a cost effective way.
- 5.13 The Project Manager is responsible for ensuring that risks are identified, recorded and regularly reviewed and should modify plans to include agreed actions to avoid or reduce the impact of risk. Risk should be reported to the Project Board who in turn should present this information to CMT.
- 5.14 Every project is subject to constant change in its business and wider environment. The risk environment is constantly changing too. The project's priorities and relative importance of risks will shift and change. Assumptions about risk have to be regularly revisited and reconsidered, for example at each milestone/phase.

Partnership Risk

- 5.15 Partnerships can bring significant benefits, but can also bring risks. Working across organisational boundaries brings complexity and ambiguity that can generate confusion and weaken accountability.
- 5.16 Good risk management is a key tool in delivering successful partnerships. Partnerships should achieve a common understanding of the potential risk associated with achieving partnership objectives, their relative seriousness and how they can be managed. Partnership working is often about accepting higher risks and sharing risks as part of developing new ways of working. This needs to be balanced against the organisations acceptable levels of risk.
- 5.17 Partnership boards should ensure that effective risk assessment is undertaken in all key decision making processes, and where necessary, the partnership implements risk management plans to alleviate these identified risks, setting clear deadlines and allocating responsible individuals for particular tasks.

6.0 TREATING RISK

- 6.1 Most risks cannot be eliminated altogether and risk management involves making judgements about what level of risk is acceptable. There are four categories of response to risks – treat, tolerate, transfer, terminate – known as the Four T's.
- 6.2 The following table provides details of each response.

Response	Description
Treat	Some risks will need additional <i>treatment</i> to reduce their likelihood or impact. This response is most likely for risks where the likelihood or impact is identified as a high (red) or medium (amber).

Tolerate	This response will be appropriate where you judge that the control measures in place are sufficient to reduce the likelihood and impact of risk to a tolerable level and there is no added value in doing more. It should be accepted that risks with a predictive medium (amber) status could be within the accepted risk tolerance of the Council and for that risk to achieve a low (green) status would be very unlikely, very costly and of no added benefit.
Transfer	Some risks can be transferred via contract i.e. to an insurer for insurable risks or to a contractor through contractual terms. Some risks cannot be transferred e.g. reputational risks.
Terminate	In some instances, a risk could be so serious that there is no other option but to terminate the activity that is generating the risk. This response is most likely for risks that fall in the critical (dark red) status.

7.0 ACCOUNTABILITY FOR RISK

7.1 The basic requirements of a Risk Management structure are:

- Corporate Management Team leading the process.
- Ownership at every level and by every employee.
- Strong reporting lines.
- Risk identification evaluation and assessment.
- Mechanism for prioritisation.
- Defined allocation of responsibilities.
- Active involvement of the Councillors.
- A monitoring role.

7.2 Corporate Management Team is responsible for:

- Setting strategic risk management initiatives/projects
- Discussing the appropriate level of risk for the Council
- Challenging the outcomes of risk management
- Monitoring and reviewing the Strategic Assessment of Risk and Challenges (SARC)

7.3 Audit Committee is responsible for:

- Reviewing the effectiveness of the Council's Risk Management processes and systems.

7.4 Scrutiny Committees are responsible for:

- Challenging the detail either via the SARC document or the quarterly performance reports.

7.5 It is the responsibility of Heads of Service and Directorate Performance Leads to ensure that Risk Management is implemented effectively in their areas.

Specific responsibilities are:

- Implementation of Risk Management Strategy and related policies.
- Ensuring that continuous risk identification and assessment takes place and that action plans are developed, implemented and subjected to regular monitoring and review.
- Ensuring that the Strategic Assessment of Risks and Challenges are updated accordingly either via the direct entry or quarterly performance report.

7.5 Service Managers are responsible for:

- Assisting Heads of Service to complete the Strategic Assessment of Risks and Challenges document/ quarterly performance report.
- Sharing relevant information with colleagues in other service areas.
- Providing feedback on their experience of strategy implementation and perceptions of strategy effectiveness to the departmental management team.

7.6 All staff have a responsibility to:

- Maintain an awareness of risk factors in their workplace
- Comply with Council policies and procedures
- Notify their line manager of identified risk and suggested solutions
- Report all incidents to their manager

8.0 INTERNAL AUDIT

8.1 It is the responsibility of Internal Audit to:

- Develop an annual risk based plan.
- Assess the effectiveness of Risk Management within the Council with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice.

9.0 IMPROVEMENT FUND

9.1 The Council will maintain a Risk Management Improvement Fund (RMIF) which will provide a limited source of finance to fund Risk Management initiatives which are deemed to be of benefit to the Council. The RMIF will be held centrally by the Head of Finance as part of the Council's Internal Insurance Fund.

9.2 In addition to being subject to the 50% matched funding principle all RMIF funding should satisfy the following criteria (funding for up to 100% will be considered in exceptional circumstances):

- The initiative should raise the awareness of Risk Management.

and/or

- The initiative should help to reduce the level and cost of insurance claims against the Council and protect the Council's Internal Insurance Fund.

9.3 The general principle of RMIF funding is that it will only be made available for the cost of "one off" initiatives and is not intended to be used to fund routine maintenance or supplement budget shortfalls.

10.00 LIKELIHOOD AND IMPACT MATRIX

10.1 To evaluate identified risks, the Council uses a 3x3 matrix to plot the likelihood score against the impact score. The matrix has nine bandings ranging from critical (dark red) through to high (red), medium (amber) low (green) and minimal (dark green). The Likelihood and Impact Matrix is shown overleaf.

10.2 Where likelihood and impact cross determines the risk level. For example a risk assessed as high likelihood and high impact equates to a dark red risk (critical) denoting that this is the highest ranked risk that the Council can have. A risk assessed as medium likelihood and low impact equates to a green (low) risk etc.

10.3 Criteria for assessing likelihood and impact are included to help promote consistent risk evaluation across the Council.

10.4 A checklist for identification is also included which gives categories of possible risks along with examples, it should however be noted that this list is not exhaustive and should be used to promote discussion and to aid risk identification.

Likelihood and Impact Matrix

I M P A C T	High	Amber	Red	Red
	Medium	Green	Amber	Red
	Low	Green	Green	Amber
		Low	Medium	High
		LIKELIHOOD		

Criteria for assessing likelihood

Likelihood

Description	Example Detail
Critical	Happening constantly. No degree of control.
High / Red	Is happening currently or is expected to happen in the current/next year. Low degree of control.
Medium / Amber	Has recently happened or is expected to happen in the next 2-5 years with moderate degree of control.
Low / Green	Is not expected to happen for 5 years or more. High degree of control.
Minimal	Not happened for 5 years or more. Very high degree of control.

Criteria for assessing Impact

Description	Examples
Critical	<ul style="list-style-type: none"> - Critical Council failure. - Formal WAG intervention/ exercise their powers of direction. - Critical financial impact on budget and reserves - Critical failure to deliver County Vision - No confidence in Senior Management/Leadership
High / Red	<ul style="list-style-type: none"> - Complete service failure - Negative <i>national</i> publicity - Serious impact on staff across more than one Directorate - Legal action almost certain and difficult to defend - Serious financial impact to budget, not manageable within existing funds - Non-compliance with law resulting in imprisonment - Negative external regulatory reports impacting on Corporate Governance - Multiple fatalities - Limited confidence in Senior Management/Leadership
Medium / Amber	<ul style="list-style-type: none"> - Serious impact on staff across in one Directorate - Significant service failure/under performance - Negative <i>local</i> publicity - Expected impact on staff, but manageable within Directorate contingency arrangements - Legal action expected - Expected financial impact to budget, manageable within Directorate - Non-compliance with law resulting in fines - Negative external regulatory reports - Extensive, permanent/long term injury or long term sick
Low / Green	<ul style="list-style-type: none"> - Some risk to normal service delivery but manageable within contingency arrangements - Legal action possible but unlikely and defensible - Possible financial impact to budget, manageable within service - Non-compliance with regulations / standards or local procedures resulting in disciplinary action - First Aid or medical treatment required
Minimal	<ul style="list-style-type: none"> - blow)No risk to normal service delivery - No impact on budget - Previous risk mitigated by completed action plan

Checklist for Risk Identification

		Examples
P	Political	<ul style="list-style-type: none"> - Member support - Local/General election changes - Community Leadership - Democratic Governance/Management - National Policy change
E	Environmental	<ul style="list-style-type: none"> - Recycling / Green issues - Energy efficiency, Pollution, Carbon emissions - Climate Change; flooding and adaptation - Land use - Waste Strategy
R	Regulatory / Legislative	<ul style="list-style-type: none"> - Non-compliance with legislation - Data Protection/Freedom of Information Acts/ Human rights, - TUPE regulations - Health & Safety - Legal challenges - Corporate Governance
F	Financial	<ul style="list-style-type: none"> - Financial performance and management - Efficiencies - Financial procedural rules - Ability to meet financial commitments, including internal budgetary pressures - Insurance cover/claims - Procurement - Contract standing orders
O	Objectives	<ul style="list-style-type: none"> - Council priorities for change and improvement (SARC)
R	Reputational	<ul style="list-style-type: none"> - Negative publicity - Legal challenges - Project failure - External regulatory reports
M	Management	<ul style="list-style-type: none"> - Strategic – Corporate and resource management - Operational – Management skills to include Performance, Risk, Finance HR etc - Collaborative working/partnerships - Emergency Planning
A	Assets	<ul style="list-style-type: none"> - Land, property, equipment, technology, information, employees
N	Not covered elsewhere	<ul style="list-style-type: none"> - Risks that do not fit into any other defined category
C	Customer and Communities	<ul style="list-style-type: none"> - Impact on customer - Consultation/engagement/communication - Customer Feedback - Current and changing needs and expectations of customers and citizens - Demographics; Migration and immigration - Community cohesion - Community Strategy - Business Continuity Management (including disaster recovery arrangements)
E	Equalities	<ul style="list-style-type: none"> - Welsh Language - Social Justice - Disability Discrimination Act - Race Relations - Age and Gender - Equality Impact assessments
S	Sustainability	<ul style="list-style-type: none"> - Maintaining and improving Flintshire as a place to live, work and visit now and in the future.

11.00 FFYNNON

- 11.01 Ffynnon is a pan-Wales performance and risk management system, commissioned by WAG to assist stakeholders with the move from performance measurement to performance management.
- 11.02 Ffynnon is the software tool used by the Council to monitor and report on risk.
- 11.03 All risks in the Ffynnon system have an updater, escalator and owner. The owner has ultimate responsibility for the risk; however it is the responsibility of the updater, with information supplied by the owner, to update the risk as required by predetermined criteria.
- 11.04 Each action associated with the risk allows for a RAG status to be input against the progress for each action. The owner should also reflect upon the status of the whole risk and assign a RAG status.
- 11.05 Emerging strategic risks should be discussed with Policy & Performance who will provide guidance and advice, before referring any potential strategic risks to CMT.

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 8

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **FINANCE FUNCTION REVIEW - REVIEW OF INTERNAL**
 AUDIT

1.00 PURPOSE OF REPORT

- 1.01 To advise Members of the outcome of an independent review of Internal Audit carried out by PricewaterhouseCoopers (PwC).
- 1.02 To make recommendations to Members in relation to:-
- (a) The Management of the Internal Audit Function.
 - (b) The review of the scope and delivery of the internal audit service.

2.00 BACKGROUND

- 2.01 The Terms of Reference of the Audit Committee include a responsibility to "keep under review the organisational structure and resource requirements of the Internal Audit Section".
- 2.02 Members have received reports on the Finance Function Review and the Management of Internal Audit on 19th January 2009, 15th April 2009, 24th June 2009 and 3rd March 2010.
- 2.03 The Finance Function Review (FFR) is one of the Service Reviews being undertaken as part of Organisational Change and Re-design across the Council. The scope for the review was reported to Audit Committee in January 2009. The review has four workstreams, Internal Audit, Corporate Finance, Revenues and Benefits and Clwyd Pension Fund. One of the key aims of the review (across the whole of finance) is to improve performance, efficiency and productivity to ensure that financial services are able to meet the current and future (3 to 5 years) needs of the Council. The Internal Audit workstream includes consideration of the future management and the scope and delivery of the service and the future service model.
- 2.04 The FFR timetable is for new service models and job design to be completed by mid November with implementation to take place starting in December and to be completed by the end of the financial year.

Date: 23/09/2010

2.05 Following the report to Audit Committee on 3rd March 2010, the following actions have taken place:-

- (a) A final extension was agreed to the contract with RSM Tenon for the Management of Internal Audit until 31st March 2011.
- (b) PwC were commissioned to undertake an independent review of the Internal Audit function. PwC were engaged to carry out this work on the basis that they had background knowledge of the Audit function having previously been the Council's External Auditors and had been party to the Workshop in June 2009, which considered the possible options for the future management of the function.

3.00 CONSIDERATIONS

3.01 The brief for the review carried out by PwC was as follows:-

- (a) To determine the Internal Audit Function which Flintshire County Council needs to have in place to achieve its business needs, taking account of statutory and other prescribed obligations.
- (b) To carry out an appraisal of the options for the management of the Internal Audit Section from 1st April 2011.
- (c) To recommend the capacity and skills required within the Internal Audit Team taking account of the outcome of (a) and (b) above to inform structural and job design work being undertaken by the Internal Audit Manager.

3.02 The report at Appendix 1 is PwC's detailed report. For ease of reading, the following sections of the report are highlighted in particular:-

Pages 3 to 6:	Executive summary including Key Findings
Pages 32 to 33:	Recommendations

3.03 The recommendations made are in relation to:-

- (a) Management and delivery
- (b) Scope of the audit service and its delivery

3.04 The detailed report and its findings and recommendations have been discussed in detail with the Head of Finance and the Internal Audit Manager who believe them to be a fair representation of the current service and a very helpful platform from which to take the service forward for the future.

- 3.05 A summary of the recommendations is found at the bottom of page 6 of the report, as follows:-

"This paper concludes with a set of recommendations, which briefly are to explore further the potential for providing internal audit services in partnership with neighbouring authorities; to distinguish between the various purposes of audit - whether it is performed to assess controls, to support line management and so on; to hold further discussions on the scope of the programme in each area, and to tackle a number of operational issues. In the event that it does not prove possible to establish collaborative working arrangements with other local councils, we also see advantage in a further short term contract for the external management of internal audit, for a period of say two years. Finally our brief called for a commentary on the skills and capacity of the section. However, we did not find it possible to draw any conclusions on these areas until the results of further discussions on partnership working and other matters are known."

- 3.06 In considering the options available for the management of the service, PwC have explored the options considered by Members at the workshop held in June 2009 in more detail and extended the range to include collaboration with other Councils for both in the delivery and management of internal audit.
- 3.07 In their recommendations, PwC set out that a form of collaborative partnership is one of the few options available that offers the degree of independence seen as desirable by some stakeholders and recommend that this should be explored as a way forward.
- 3.08 In the 12-18 months since consideration of the future management options began, the agenda for collaboration in the provision of Council services has been developing and maturing as Councils look to ways to respond to the challenging financial future. The North Wales Regional Partnership Board has established four programme boards. Three of these are looking at direct service provision (Environment, Community Services and Lifelong Learning) and the fourth at Support Services which includes Finance, HR, Legal, IT and other central services. Consideration of the collaborative opportunities for internal audit services across North Wales are being taken forward by the North Wales Chief Finance Officers within the Finance Workstream.
- 3.09 Consideration of collaborative arrangements for the management and/or the delivery of some or all audit services provides potential opportunities for the future but does require thoughtful consideration and detailed discussion both internally with Members and other stakeholders and also with potential partners. Whilst this work has started, with a first presentation being made to the Regional Partnership Board on 28th September 2010, timescales are too short for this to provide a solution for Flintshire from 1st April 2011. It is recommended, therefore, that Members support the recommendation of PwC that a short term contract (two years) similar to the one currently in place with

RSM Tenon be entered into whilst the opportunities for collaboration with local Councils is explored. This will require a competitive procurement process to take place as the current contract with RSM Tenon cannot be extended beyond 31st March 2011.

- 3.10 Subject to Members' decision regarding the tender of the management of the function, a timetable will be drawn up, with the assistance from the Procurement Team, to ensure compliance with OJEU requirements.

Scope of the Audit Service and its Delivery

- 3.11 The work to look at the scope and future delivery of the internal audit service has considered slimming the scope of work to reflect the statutory minimum, strengthening the advisory aspect and amending the boundary of the service.

- 3.12 As recommended by PwC, further consultation has taken place more widely with first and second tier officers on the service required from internal audit. The results are as follows:-

- They agreed that they needed core advice on controls.
- They wanted added value to help deliver their service, but thought that the audit team needed more in-depth understanding of their services.
- They realised that the team could not be big enough to have an expert in each area, so the possibility of shared regional resources was raised as an option.
- They wanted more support from internal audit. In particular the amount of time on "core" work (regulatory/risk based) could be better specified thereby freeing up more time for advisory work.
- They thought there should be less audit time spent in schools, with more work taking place centrally in Lifelong Learning.
- They had a requirement for some assistance from internal audit in providing a consultancy role, looking at their ways of working, but this needed to be developed.

- 3.13 Chapter 4 of the PwC report raises a number of operational issues to be addressed, including:-

- Increasing the proportion of operational days.
- Strengthening ties between services and internal audit.
- Reviewing the manner in which investigative work is scoped.

- 3.14 The report briefly considers drawing together the internal audit and risk management functions but concludes that it does not see any clear advantages to doing so and suggests that this is not pursued. This is supported by management.
- 3.15 The particular aspects of the PwC report, as highlighted in 3.12 and 3.14 above, provide the detail from which to consider the capacity and skills required within internal audit for the future. It is recommended that, subject to the outcome of Members' consideration of the PwC report and its findings, a further report be brought to an additional meeting of the Audit Committee on 3rd November 2010 which sets out the proposed future service model.

4.00 RECOMMENDATIONS

4.01 Members are requested to:-

- (a) Note this report and the detailed report from PwC attached as Appendix 1.
- (b) Support the recommendations contained within the PwC report.
- (c) Support the work being carried out by Officers in contributing to the work of the North Wales Regional Partnership Board in considering the opportunities for regional collaboration for the provision of Internal Audit and that further reports are brought back to the Committee on the progress of this work on a regular basis.
- (d) Support the recommendation that a specification be drawn up for a contract to be let for the management of Internal Audit from 1st April 2011 for two years, with an option to extend for one year, whilst collaborative opportunities are explored. Details of the specification and the procurement timetable will be brought back to Members on 3rd November 2010.
- (e) Support that a report be brought back to Audit Committee on 3rd November 2010 with the outcome of the review of audit team resources, capacity and organisation taking account of the outcomes of the PwC report and the recommendations contained within it in relation to scope and delivery of internal audit services.

5.00 FINANCIAL IMPLICATIONS

- 5.01 The cost of external management of the Audit function will be subject to the outcome of the tender exercise.
- 5.02 The report on 3rd November 2010 will include detailed financial implications on the future service model.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 The Finance Function Review is being conducted in accordance with equal opportunities requirements.

9.00 PERSONNEL IMPLICATIONS

9.01 All personnel implications arising from the Finance Function Review are being dealt with on advice from Human Resources and in accordance with Council policies.

9.02 The specific recommendation in this report in relation to the management of the Internal Audit function will have the effect of holding vacant the post of Internal Audit Manager on the establishment and covering the post by a contract arrangement.

9.03 The report on 3rd November 2010 will include detailed personnel implications arising from the future service model.

10.00 CONSULTATION REQUIRED

10.01 Audit Committee, External Audit, Strategic and Corporate Management Teams, Heads of Service, Staff, Trade Unions.

11.00 CONSULTATION UNDERTAKEN

11.01 Consultation to date, prior to bringing this report to Audit Committee, has taken place with the following: Chair and Vice Chair of Audit Committee, Chief Executive, Monitoring Officer, Directors, Heads of Service, Audit Manager, Audit Team Staff, Trade Unions, External Audit (Wales Audit Office).

12.00 APPENDICES

12.01 Appendix 1 Report from PwC - Review of Internal Audit.

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

None.

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Flintshire County Council Internal Audit Review

Distribution List
Head of Finance – Kerry Feather

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1. Executive Summary

Introduction

PricewaterhouseCoopers LLP (“PwC”) were appointed by Flintshire County Council (“the Council”) to undertake a review of the Council’s Internal Audit Function. Its purpose was to consider and provide recommendations on:

- The internal audit function the council requires to achieve its business needs, taking account of its statutory obligations
- The options for the management of the internal audit service
- The capacity and skills required in the function

This report has been prepared solely for Flintshire CC in accordance with the terms and conditions set out in our engagement letter dated 13 April 2010. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

An effective internal audit function provides an objective appraisal of an organisation’s governance processes. To do this, it must have the power and authority to look at the key risks, to report results and to drive improvements; it must conduct its work independently and objectively, applying the appropriate skills, knowledge and professional care; and it must strive to measure and to improve the quality of its work.¹

The purpose of this review is to assess the options for the future delivery of the Council’s Internal Audit Function, with a particular focus on the scope of work it should undertake and the most effective means of managing the service in future. The review builds on a workshop facilitated by PwC in June 2009 which considered the options for management, as well as the principles of the Council’s organisational design review programme.

Review Scope

In accordance with our engagement letter agreed with the Head of Finance dated 13 April 2010, the review has addressed:

- Current developments in internal audit practice generally
- The specific needs of the Chief Executive, the Chair and Vice Chair of the Audit Committee, Heads of Service and the Head of Internal Audit
- The assurance needs of the Head of Finance and the Audit Committee
- Value for money considerations

Limitations on scope

This review did not include an examination of the internal audit working papers or a compliance check against the CIPFA Code of Audit Practice.

¹ Institute of Internal Auditors: “*International Standards for the Professional Practice of Internal Auditing.*”

Approach

Our approach to the review was as follows:

1. Desk-top review of all relevant documentation
2. A series of interviews was conducted with the following:
 - Chair and Vice Chair of the Audit Committee
 - Chief Executive
 - Head of Finance
 - Monitoring Officer
 - Head of Internal Audit
 - Members of the staff of the Internal Audit section
 - Four Heads of Service
 - Wales Audit Office
3. Benchmark of findings against good practice and CIPFA and IIA standards and guidance.

Staff involved in this review

We would like to thank all those involved for the co-operation and assistance received throughout this review, and particularly David Webster, Head of Internal Audit.

Key Findings

1. Meeting Stakeholder Expectations

The overall message from our discussions was that the internal audit service meets expectations for the delivery of routine regularity work; in particular external audit expressed a view that internal audit operate in a manner consistent with proper practice. However, others are of the opinion that improvements are needed to maximise the value added by the service. Several Heads of Service commented that the level of service understanding is not sufficient. Those members we spoke to were however broadly content with the service as it is.

Audit Process:

In terms of providing the Council with the independent assurance it requires over governance, controls and processes, the over-riding message from the interviews was that the service is satisfactory. The strategic plan is appropriately rooted in the risks identified by the Council, and in the view of those most closely involved the extent of coverage is appropriate. The methodology for reviews is also thought sound. The resulting reports are timely, and recommendations are effectively followed up.

At a time when resources are being challenged and the need to make efficiencies is even greater, we have made a number of best practice recommendations to help enhance the efficiency of the service. Crucial to this is the need for a detailed analysis of the number of days allocated to each area of the plan where our view was that a number are generous, perhaps as the current programme provides sufficient days to deal with the work required to review key controls and to offer advisory support to service managers. A clearer definition at the planning stage of the purpose of each review would assist. Second, we believe that the number of operational days currently provided by the section could be increased by perhaps 25 days per head, based our own experience.

Adding Value

The internal audit function clearly has a high profile across the Council; most of those interviewed had direct involvement in establishing the plan and in receiving draft reports, and they appreciated these opportunities. However, their overall view was that at heart the internal audit function provides a traditional service that focuses on independent compliance and assurance and many believed that more can be done by the service to disseminate best practice and help introduce efficiencies.

2. Options for the Scope of the service and its future Delivery

We have analysed the advantages of three possible options for the scope of the service; slimming the scope of work to reflect the statutory minimum; strengthening the advisory aspect and amending the boundary of the service.

The advantage of identifying separately the minimum needed to meet the Council's obligations is that it defines the base. The cost of additional work can then be appraised against the benefits it should bring.

We also considered the advantages of partnership working, to provide a joint internal audit function across several local bodies. That might well better reflect the emerging trends of joint service delivery, and also offer economies of scale. In addition our report touches on the possibility of establishing a consultancy arm to focus service support work

3. Options for Management of the service

In the summer of 2009 PwC facilitated a workshop on alternative management options for internal audit, which covered in-house delivery and management; external management of internal staff; a wholly outsourced service and a form of partnership, whereby a core internal service is augmented by a contractor under the terms of a broadly based call-off contract.

A number of advantages and disadvantages of each were identified which are reiterated in the body of this report. Members' key concerns included:

- The need for any future management option to safeguard the function's independence

- The importance of motivated staff with appropriate skills

Following the workshop the decision was of course taken to extend the contract with Bentley Jennison (now RSM Tenon) until 31 March 2011.

Since last summer the main developments have been the increasingly stringent financial restrictions, growth in the potential for collaborative working across local authorities and the implementation of the second phase of the Council's organisational review.

We also set out in more detail in this section some further analysis of the options for partnership working in the delivery of internal audit services in Flintshire.

4. Future developments

The current contract for the management of the service expires on 31 March 2011. By that date we believe the council should decide on which of the options for delivery and management best meet its needs and have in place a plan to implement a solution from 1 April 2011. In our view, a satisfactory solution will meet the following requirements:

For statutory and regulatory purposes

- the service must continue to meet the demands of proper practice such as the CIPFA Code
- the Head of Finance must be satisfied with the scope and quality of the service

For service enhancement

- service users must receive the quality of advisory work they seek
- internal audit must provide effective challenge and promote best practice
- internal audit must reflect changing delivery patterns including partnership working

To meet cost efficiency criteria

- there must be demonstrable evidence of efficiency and effectiveness in delivering audit work

To satisfy members and comply with good practice

- appropriate safeguards should be in place to protect the service's independence

Recommendations

This paper concludes with a set of recommendations, which briefly are to explore further the potential for providing internal audit services in partnership with neighbouring authorities; to distinguish between the various purposes of audit – whether it is performed to assess controls, to support line management and so on; to hold further discussions on the scope of the programme in each area, and to tackle a number of operational issues. In the event that it does not prove possible to establish collaborative working arrangements with other local councils, we also see advantage in a further short term contract for the external management of internal audit, for a period of say two years. Finally our brief called for a commentary on the skills and capacity of the section. However, we did not find it possible to draw any conclusions on these areas until the results of further discussions on partnership working and other matters are known.

2. Background

The Current Service

The Internal Audit function has prepared by way of preparation a summary 'as is' report and has provided other comparative data for this review. Some key data is reproduced below as background:

Structure

The current structure is:

Post	Individuals employed	FTE
Head of Internal Audit	1	1
Principal Auditor	3	2.8
Senior Auditor	6	4.4
Senior Audit Assistant	2	1.2 (allowing for current secondment)
Audit Assistant	1	1
Admin Assistant	1	0.6
Total	14	11

Each of the principal auditors has responsibility for auditing specific directorates and corporate divisions.

Internal audit has informed us that there has been a steady reduction in the size of the service in recent years as this Table shows:

Year	FTEs
April 2006	13.6
April 2007	13.4
April 2008	13.4
April 2009	12.0
April 2010	11.0

Experience over recent years has been that there have on occasion been problems in delivering the programme, arguably partly as a result of the reducing resource. To avoid problems we are aware that additional days have been brought in on several occasions

Staffing compared to other authorities

The county's internal audit function has also compared the number of days provided for in its audit plan with those of other unitary councils of similar size:

Authority	Turnover (£m)	Audit Days	Days per £m
Pembrokeshire	295	1,657	5.61
Wrexham	313	1,786	5.71
West Berkshire	315	1,117	3.55
Torbay	318	2,020	6.35
Isle of Wight	333	1,090	3.27
Halton	334	1,561	4.67
Herefordshire	339	1,837	5.41
Redcar	355	1,852	5.22
Reading	356	1,612	4.52
Slough	380	1,540	4.05
North Somerset	384	1,905	4.96
Bath	388	1,529	3.94
Average	343	1,626	4.75
Flintshire 2009/10	339	1,909	5.63
Flintshire 2010/11	337	1,703	5.06

This Table is based on the number of days on which audit staff undertake direct audit work. In Flintshire's case 11 fte staff offer 1,703 days. There are 252 working days each year, less say 32 days of holiday, or 220 days available. The section is thus, crudely, working at a utilisation level of 77%. It is argued that the total of 11 fte staff includes the Head of Internal Audit and administrative support, which we accept but believe that a significant proportion of their time should be attributed to specific reviews

We have also compared the level of unproductive time in Flintshire with that in the comparator group:

	Average days/ FTE	Flintshire CC days/ FTE
Statutory leave	8.0	8.0
Annual leave	29.2	30.9
Sickness	6.5	5.1
Training	9.3	10.0
Special leave	2.1	8.9
Other	30.6	16.8
Total	85.7	79.7

The level of unproductive time is thus broadly comparable with that of other local authorities. The relatively high figure for special leave relates to staff with union responsibilities or duties as a councillor elsewhere. Nevertheless the 1,703 days given above is the figure reported in the internal audit strategic plan. It does not assist in the review of the efficiency of the service to report in this manner. PwC's approach, for example, is to take 252 days as a base, ie only to exclude weekends and bank holidays.

Size of Programme

Internal audit has also provided details of the size of the audit programme in recent years:

	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11
Corporate and Finance	840	755	803	910	860	785	695	650
Services	632	607	663	710	455	500	470	486
Schools	83	78	87	69	89	115	135	97
Pension Fund	20	20	20	40	40	60	40	60
Investigations etc	656	578	465	375	610	570	530	410
Total	2,231	2,038	2,038	2,104	2,054	2,030	1,870	1,703

This analysis clearly shows a steady reduction in days since 2006/7.

Nature of Work

The strategic plan for 2010/11 also provides an analysis of the work programme, according to the reviews that respond to identified risk, those that are undertaken to meet regulatory requirements or the requests of external audit, and other advisory work :

Directorate	Risk based work	Regulatory work	Advisory work	Schools reviews
Corporate	110		30	
Finance/ Pensions/ Legal/ HR/ IT	135	165	260	
Lifelong learning	5	15	110	97
Community Services	45		101	
Environment	120		80	
Total	415	180	581	97

This Table amounts to 1,273 days. The balance is made up of:

Allocation	Days
As above	1,273
Strategic planning	20
Liaison with external audit	10
Liaison with directorates	30
Preparation for/ attendance at Audit Committee	20
Fraud work and National Fraud Initiative	50
Investigations	175
Ad hoc requests from directorates	75
Audit Development	30
Other	20
Total	1,703

Elsewhere, work on investigations, fraud and perhaps the ad hoc responses are generally regarded as direct operational work, but at least 130 days shown above does not directly relate to operational activity, reducing the 77% utilisation noted above.

Comment

Figures from internal audit indicate that the service is operating at a staffing level broadly similar to that of other councils, and that there has been a significant fall in recent years. However, we note:

- The number of days allocated to direct audit work in 2010/11 totals some 1,575, or around 145 per member of staff if the Head of Internal Audit and admin staff are included. We believe there is scope for increasing the proportion of days treated as operational.
- Around 600 days are allocated to work that is described as advisory. It is not unreasonable to conclude that such work is not driven by the demands of statute, and the programme is thus for the Council to determine

3. The Role and Purpose of Internal Audit

Introduction

This section summarises briefly the statutory and other requirements that underpin the work of the Council's Internal Audit Function and how the service is developing in a number of bodies in both the public and private sectors.

Statutory Provisions

The Accounts and Audit (Wales) Regulations 2005 state:

6. *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.*

It should also be noted that the post of Chief Finance Officer carries specific responsibility for the service under s151 Local Government Act 1972, which says that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.' In Flintshire the Head of Finance carries this responsibility, and in consequence it is essential that whatever the outcome of this review she is content that the result is sufficient to discharge her personal duty.

Proper practices

The guidance accompanying the Regulations states that, for principal local authorities, proper internal control practice for internal audit is that contained within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. That in turn says:

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. 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.

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the organisation that these arrangements are in place and operating properly.

The Code also contains a series of Standards, covering such matters as the scope of internal audit, independence and undertaking internal audit work.

The CLG has prepared guidance on the new requirements relating to the review of the effectiveness of the system of internal audit. While specifically addressed to the position in England, it is equally relevant to Wales:

Regulation 6 of the 2003 Regulations was amended in 2006 to require relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings. This process is also part of the wider annual review of the system of internal control. As with Regulation 4 ... this does not require the establishment of an audit committee, although such a committee would provide an appropriate means through which to carry out the review of internal audit as it has a role in monitoring internal audit but is independent from it.

While the guidance cites the CIPFA *Code of Practice for Internal Audit* as proper practice in relation to internal audit in local authorities, it does not provide a definition of the system of internal audit, nor does it address how relevant bodies should undertake an annual review of its effectiveness. The CIPFA Audit Panel therefore produced *Guidance on Reviewing the System of Internal Audit* to assist local authorities in interpreting the Regulations. CIPFA's guidance has been applicable from the 2008-09 financial year, and calls for an annual review to encompass as a minimum:

- The process by which the control environment and key controls have been identified - the organisation's risk management system;
- The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers;
- The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the audit committee or its equivalent and implemented by management; and
- The operation of the audit committee and the internal audit function to current codes and standards.

It should also be noted that there are other bodies with an authoritative voice in the field, most notably the Institute of Internal Auditors. Their 'International Standards for the Professional Practice of Internal Auditing' are widely regarded as offering a comprehensive statement of best practice.

Developing Practice

The role and scope of internal audit work has evolved significantly in recent years. Perhaps the most significant development has been the integration of risk management with the service. Internal audit has for many years been perceived as related to risk, and its programme established to focus largely on higher risk areas, especially in the traditional financial areas like the core systems. With the emergence of more comprehensive approaches to risk identification and management – such as the joint risk assessment – it has been logical and efficient for the expanding risk management services to come together with other risk based services. It has even been suggested that internal audit should move towards also providing assurance on the effectiveness of risk management.

PwC recently published 'Maximising internal audit: A 10 step imperative for thriving in a challenging economy' as a contribution to the debate on how internal audit sections should go forward. It comments '*done right, internal audit can reposition itself as a key factor in an environment with a broad range of significant governance, strategic, financial and operational risk and compliance issues.*' It advocates ten steps:

1. Clarify evolving stakeholder expectations
2. Develop a strategic plan
3. Leverage other risk and control functions
4. Assess strategic risks
5. Develop a flexible audit plan
6. Detail key resource needs
7. Develop an infrastructure roadmap (IT based analysis tools, HR resources knowledge management)
8. Obtain funding commitment
9. Establish a relationship plan

10. Create a performance scorecard

We have supplied the Head of Finance with a copy of the full report, and further copies can be made available. The main points for Flintshire in our view are:

- The fundamental importance of understanding and tailoring the service to the needs of a variety of users
- Taking account of the sources of assurance that are provided by others, whether internal or external
- Identifying the resources needed, not merely relying on those available
- Broadening the feedback received

These factors are taken into account in the identification of the options that follows.

Views of the Wales Audit Office

As part of this exercise we have discussed with the external auditors their expectations of the service. As we would have expected the reply was twofold:

- Statute imposes a requirement for there to be an effective internal audit service, which is also an integral element of the internal control mechanism. The regulators would comment adversely if it were considered that the service did not meet these standards
- ISA 315 requires that as an element of the external audit the main financial systems should be documented and the accuracy of their operation reviewed. It is generally more efficient for internal audit to undertake this work

To gauge the effectiveness of internal audit WAO informed us that they compare the section's practices with those set out in the CIPFA Code of Practice. They added that they have not identified any concerns as part of their 2009/10 audit, at least to date. PwC equally had no concerns over internal audit's approach during our time as the Council's external auditors, although it may be recollected that there have been occasions where it did not prove possible to complete the full plan.

These views are helpful in that they show current practices are sound. They do not though extend beyond regularity work.

4. Scope and Delivery

Introduction

Many of those we interviewed expressed no strong reservations about the current service; two separately used the phrase that 'if it ain't broke, don't fix it.' Most identified positive features and commented on progress made recently including:

- A clear relationship between the programme of work and identified risk
- Good working arrangements with services
- A willingness to listen to managers and to amend draft recommendations appropriately where each agree that change is needed.
- Effective processes to ensure reports are finalised promptly

In this section of the report we focus on a high level assessment of the scope of internal audit's work programme and the section's methodology before turning in the next section to the options for delivery that might be considered. We are conscious that the results below are based on a small sample of interviews; they should therefore be regarded only as indicative of the areas in which the current approach might be reviewed.

Approach

We have employed the Institute of Internal Auditor's framework to conduct the assessment, which addresses the following areas:

✓ Right Environment ✓ Right Coverage ✓ Right Resources ✓ Right Quality ✓ Right Outcome

1. The Right Environment

To be effective, the role of Internal Audit needs to be understood and respected at all levels within the organisation and Directors need to actively support the audit process to ensure that report findings are treated seriously with appropriate actions taken.

1.1 Clarity of Role

The results of our interviews with stakeholders showed some differences in the views expressed of the proper role of internal audit within the Council. All referred to a relationship with risk, but differed on the extent of its responsibility to advise and disseminate best practice.

These responses highlight a marked difference between the role of internal audit as a compliance function and internal audit as a service that drives change and identifies efficiencies. There is also evidence of the common misconceptions that internal audit focuses solely on financial systems and is there to detect fraud.

Part of the current review process is to review and refine the role internal audit should play. Once identified, we recommend that internal audit sets out its mission, purpose, authority and responsibility in a revision to its formal charter approved by the Audit Committee. The charter should also set out the nature of the advisory role internal audit can perform without compromising the value of its assurance role.

1.2 A 'Customer' Approach to Service Delivery

Internal audit as a service within the public sector has evolved over the past few years. The assurance provided by internal audit offers an independent and objective assessment of how well an organisation is managing risk and the whether the controls put in place to mitigate risk are working effectively. The fundamental assurance provided by internal audit remains unchanged however, it must also have the power and authority to look at the key risks and drive improvements, contributing to the efficiency of the organisation. To achieve this, it is important to realise that 'one approach does not fit all' and that the service should be tailored to the needs of key stakeholders.

Stakeholder reaction was mixed, but those within services in particular felt that more could be done to build up service specific understanding amongst audit staff. However others noted that audit provide helpful support in areas such as standing orders and financial procedures.

Where possible, we recommend that internal audit adopts the following:

- ***A more proactive approach on the part of relevant staff to engaging with management across the Council, attending management meetings and workshops where appropriate and talking to staff about developments in their service area.***
- ***A greater emphasis on keeping up-to-date with developments in the sector such as legislation changes, best practice working and benchmarking publications, sharing these with relevant staff across the Council.***

1.3 Strategic Plan

From the interviews conducted, we know that meetings do take place with Strategic Directors and Heads of Service to agree on the audit programme, although some acknowledged that they should spend more time thinking about how best they can use the internal audit service and challenge the number of audit days. The final plan is presented to the Chief Executive, CMT and Audit Committee for approval.

Overall we found the Strategic Plan 2010/11 to 2012/13 a helpful document which clearly explains how it had been developed, comments on the key areas of work in each service and identifies the purpose of each review. It also relates audit work explicitly to key risks.

1.4 Reporting Lines

It is important that internal audit reports are issued to the 'right' people at the 'right' time. The draft internal audit reports at the Council are issued to the auditee who completes the action plan before the report is finalised. The Audit Committee has been very active in ensuring deadlines for responses and that the final report is prepared in a timely fashion.

2 The Right Coverage

To be effective, Internal Audit needs to focus on the key risks of the organisation, ensuring that its work meets the needs of its stakeholders including providing assurance on the fundamental controls in place, and to work effectively with other assurance providers as part of an integrated Assurance Framework to ensure that an overall picture of the control environment is reported to management and the Audit Committee.

2.1 Annual Planning Process

The annual planning process undertaken by the internal audit team consists of an update to the three year rolling strategic plan and a review of the operational risk registers. The preparation process includes meetings with key personnel, and there is appropriate consideration of the Council's SARC. Both the Chief Executive and the Management Team comment on and approve the plan, which is then formally approved by the Audit Committee.

2.2 Stakeholder Engagement

There is no 'one-size' fits all approach to internal audit. A positive perception of internal audit is earned so it is important that the service provided is tailored to the organisation's needs and that of its key stakeholders such as the Heads of Service. In addition to the fundamental assurance provided by internal audit across the core day-to-date processes, a more 'value added' service is also required in order to improve processes and identify efficiencies.

Certain members of the internal audit team have been employed by the Council for a number of years so should have an excellent understanding of the controls in place and the workings of the different Services. As budget restrictions increase, Local Authorities are facing continuing pressure to improve processes and to make further efficiency gains. Internal audit are well placed to identify such efficiencies but to do this they need to sell the benefits of their service to management across the Council.

2.3 Combined Assurance with other Providers

Internal audit is one of a number of assurance providers within the Council; others include external audit, legal, the performance unit and the risk manager. The formality of links between these assurance providers varies, though we note that a protocol with external audit has recently been introduced. The absence of such agreements increases the risk of duplication of effort and can lead to an uncoordinated approach to compliance work across the Council. For example, internal audit has only sometimes reviewed the systems through which the PI data are produced.

We recommend that regardless of any structural changes that are implemented, internal audit considers how to work more closely with other assurance providers, establishing formal links to provide the required level of assurance in the most efficient and effective way.

2.4 Reporting to the Audit Committee

The Audit Committee is the vital source of 'independent' assurance that enables the Council to place reliance on the effectiveness and adequacy of the internal control framework. It is at the core of the process for approving the direction and coverage of audit plans, reviewing the findings of internal audit reports and ensuring that management action is taken to address each recommendation made.

The Head of Internal Audit provides summary reports to each Audit Committee which set out the high-level messages from internal audit reports and the number of internal audit recommendations made per risk category. It is now common practice within Local Government for Audit Committees to have access to all internal audit reports, including a summary of the key control issues in order to challenge the individual Service Directors. The Council's Audit Committee Members may request reports from the plan although this is not often done.

3. The Right Resources

To be effective, Internal Audit needs to employ, or have access to staff, with sufficient technical knowledge to effectively cover the review areas included in its terms of reference, demonstrate sufficient understanding of the organisation and its objectives when conducting and concluding on its work, and have good communication skills to ensure that its recommendations lead to positive changes in the overall control environment.

3.1 Auditing to Need not Resource

It is important that internal audit planning is demand-led not supply driven in terms of both skills and audit days. The Council's 2010/11 Internal Audit Plan contains 1,703 total audit days with 1,293 of these allocated to audit areas. The balance of 410 days is split between investigations and fraud, ad hoc requests and other. The allocation of audit days to individual reviews is based on those allocated for the prior year audit and the Group Auditors' judgment, with ten days being the average assessment.

Total days per audit range from 30 days for an audit of Street Scene to five days for a review of Climate Change. From the interviews conducted, it appears that the allocation of days is not routinely challenged either by the Audit Committee or Heads of Service. For those audits that are conducted annually, it is inevitable that cumulative audit knowledge will be gained and it would be expected that the audit days would reduce year-on-year based on experience, enabling the audit to be conducted more efficiently.

We recommend the following:

- ***The allocation of days per audit should be based more explicitly based on a risk assessment of the area under review, including the results of previous audit findings***
- ***As part of the annual consultation, Heads of Service should be encouraged to challenge the number of days per audit in their respective service areas***
- ***The annual plan should set out a breakdown of anticipated non-operational activity, and actual performance should be reported at the end of the year to the Audit Committee and the Head of Finance***

3.2 Delivering the Plan

Significant emphasis is placed on delivering against the audit plan. At the time of this review, there are 11 FTEs in the Internal Audit Team. Recent performance has been improved, albeit at the cost of introducing additional resource. Interviewees did not generally see this as an area of concern, although external audit commented that it was a matter they would keep under review.

3.3 Conducting Individual Audits

We asked relevant interviewees for their experience of audit work, particularly how they were involved in the detailed planning, issues that arose in the conduct of the work and the process of finalising the report. The responses, which were not comprehensive, were generally positive; interviewees considered they were appropriately involved, staff were flexible in their approach and the section was willing to work with managers to develop recommendations that are practical.

3.4 Use of Internal Specialists

Two issues arose in this area, the limited level of IT skills and according to some a restricted amount of service knowledge. The former is widely accepted and the gap has been filled by bringing in resource from outside. The Head of Internal Audit commented that it is difficult to justify and hence afford an experienced IT auditor, although a member of the team is currently training for an IT qualification. Heads of Service were more concerned about the extent of service understanding. Internal audit's response has been to focus each principal auditor on particular service areas but there is a limit to what can be achieved.

The Head of Internal Audit agreed there had been no recent review of the skills in the service, and expressed a willingness to consider other approaches to enhancing the current level by for example secondment from services, or joint working with other councils.

We recommend that once the role of internal audit has been agreed there should be an assessment of any further skills that are needed, particularly in the area of IT.

4 The Right Quality

To be effective, Internal Audit needs to embed Quality Control in its processes to ensure that audit conclusions are accurate, ensure that best practice is routinely shared across the organisation, and report

its findings on a timely basis and in a style that supports stakeholders in taking appropriate actions to improve the overall control environment.

4.1 Quality Control

We asked interviewees about the quality of the reports that they received. The overall view was that the reports are clear and recommendations are appropriate.

4.2 Proactive Best Practice Sharing / Auditing

Internal audit are in the unique position of having access to each of the different service areas so are well placed to identify areas of good practice working. Where these are non-service specific areas, it would be useful if internal audit could assist in sharing this good practice across the Council. This should be done as a matter of routine.

We recommend that where examples of non-service specific best practice working are identified, internal audit ensures that these are shared across the Council. This could take the form of a newsletter, briefing note, intranet notice, email memo or presentation.

5 The Right Outcome

To be effective Internal Audit reporting needs to be balanced demonstrating a full understanding of the objectives and 'risk appetite' of the organisation, be clear and solution driven based on recognised best practice with allocated responsibilities and timescales for action, and include action tracking to ensure that demonstrable improvements are implemented.

5.1 Quality of Reporting

The internal audit reports include action plans with allocated responsibilities and timescales for each recommendation in accordance with the risk rating.

5.2 Follow-Up and Action Tracking

All audit recommendations raised are captured on a follow-up log at the end of each audit and follow-up work is undertaken by internal audit. Each quarter the Head of Internal Audit reports to the Audit Committee on the results of the follow-up work so that Members have visibility of the number of outstanding actions. This report sets out the outstanding recommendations by service area and the related risk rating, together with further detail on any interim action in place to mitigate the exposed risk or the planned action to be taken. We believe it represents good practice.

5.3 Investigations

Substantial resources are devoted to investigations, and several of those we spoke to noted that it is convenient to be able to refer suspected irregularities to an independent service such as internal audit. However, in the main, this role is largely 'reactive' rather than 'proactive.'

The boundary between what is the responsibility of service managers and what of internal audit is not clear, and it may also be that considerable resource is being allocated to issues that are small scale.

It is highly unlikely that there is little or no fraud risk so it is important that internal audit proactively assists in creating an 'anti-fraud culture' within the Council combined with a consistently rapid response to fraud investigation requests. This could be achieved as follows:

- ***Planning – it would be helpful for the initial review that sets out the scope of each investigation to be more robust on occasion, to confirm that the issue is one that properly requires internal audit input and to establish, as far as practical, a budget for the work. This approach should also ensure that the scope of the work to be undertaken is clear to all***

parties at the start

- *Deterrence – Internal Audit could contribute further to the anti-fraud culture by conducting awareness presentations across the Council. This increases the potential for fraudulent activity to be identified by staff, reported to the Monitoring Officer and professionally investigated*

5. Options for Amending Scope and Delivery

A number of potential options have arisen in the course of our work for either amending the scope of the work of the section, or adopting alternative means of delivery. They are based on our view that internal audit work can be classified into four areas:

Class	Description
Risk based work	Audit activity that responds to the council's analysis of the risks it faces
Regulatory work	Other work that is undertaken to assess the council's key controls, and to assist the external auditors
Advisory work	Reviews that have a primary aim of assisting service management
Consultancy work	Other activity wholly driven by the needs of service managers

This of course forms a broad spectrum of activity, but in general terms those reviews in the first two categories respond to the need to review the internal controls of the council, and are thus the primary responsibility of the Head of Finance as s151 officer. The latter two are driven more by the needs of services and hence are more for the services to determine; as they are not statutory obligations they may reasonably be seen as discretionary in the hands of the authority. That is not to say all work currently in the former headings must be undertaken; it might well be possible for example to reduce the time spent on certain work.

The major alternatives we have discussed and appraised are:

Options to amend the nature of the programme

- Slimming the scope of work, to reflect the statutory minimum
- Strengthening the advisory aspect
- Amending the boundary of the service

Option to change the way the service is delivered

- Partnership working with other local authorities
- Establishing a consultancy arm

Most of the options are not exclusive, and in any case they have not been fully evaluated. This section of the report sets out our view on the advantages and disadvantages of each, and we will be pleased to expand on our thinking in appropriate forums.

The nature of the programme

Slimming the Service

The Internal Audit Strategy presented to the Audit Committee on 3 March 2010 helpfully distinguishes between:

- Risk based coverage
- Coverage for External Audit Reliance or to fulfil Regulatory Requirements
- Advisory Input and other Internal Audit Coverage

If it were desired to prepare a plan based on only the minimum input to meet the statutory obligations we set out above, there are two issues:

- Are all the days allocated to 'risk based work' essential?
- What elements of the second and third categories are obligatory?

In the time available for this review we have not been able to conduct a detailed assessment. However, Internal Audit provided us with an analysis by directorate of the 2010/11 plan:

Directorate	Risk based work	Regulatory work	Advisory work	Schools reviews
Corporate	110		30	
Finance/ Pensions/ Legal/ HR/ IT	135	165	260	
Lifelong learning	5	15	110	97
Community Services	45		101	
Environment	120		80	
Total	415	180	581	97

In addition to these days, the plan contains a further 410 days, 175 for investigations, 50 for pro active fraud reviews, 75 to allow for requests from directorates and 110 for liaison, planning and training.

For clarity:

- The risks on which the first class of work are based are those set out in 'risk registers and assurance frameworks', including the SARC and the operational risk register
- Regulatory work is largely intended to permit external audit to place reliance on the council's core financial systems, and to limit the extent of their testing on council tax and housing benefits

- Advisory work in practice appears to relate largely to risks identified by operational managers rather than through the corporate methodology, and is widely drawn
- The schools reviews allow all schools to be visited , primary schools once every four years and others every three

It may also be that the number of days allocated to particular areas enables internal audit to go beyond the minimum level of work. For example the 25 days provided for reviewing the recording and monitoring of s106 agreements in the 2010/11 audit plan will enable the section both to appraise the controls in operation and to conduct additional work that is effectively advisory in nature.

We also considered briefly whether the internal audit service should retain responsibility for investigative work. Interviewees noted that it is convenient to have the independence afforded by the arrangement, though they also accepted that in many instances the sums involved are small. The view of the Head of Finance, S 151 officer, is that Internal Audit should retain responsibility for investigative work with the scope of the investigation being carefully defined at the outset and in the light of any follow up work required. Our view is that the circumstances in which internal audit will investigate should be carefully defined, with a view to reducing their input where practical.

It is tempting to suggest that a core service would consist of the risk based and regulatory work. Together with appropriate additional days for training and the like that would amount to around 60% of the current total. However it should be emphasised that such a figure would require careful validation.

Advantages of this option

- Continues to meet the statutory minimum
- Provides cost savings
- Focuses the service clearly on core financial systems and key risks
- Requires only a limited range of skills

Disadvantages

- Reduces the level of support that can be provided
- Increases the burden on service staff
- May result in a higher risk profile for the authority

Strengthening the advisory aspect

A number of interviewees commented that while they saw a need for the type of support that internal audit can provide, they were concerned about the extent of the understanding audit staff had of operational issues. The section does already encourage some specialisms particularly amongst its more senior staff, but there are limits on what can realistically be achieved.

It is logical to suggest that identifying two sections within the service, the former to deal with regulatory matters and the latter with advisory work, would serve to develop the necessary skills further. Longer term the service would be better placed to address the nature and extent of the staff it requires to meet need, and to attract additional resources. We are aware of several councils which have introduced this approach with some success, though much depends on user confidence in the service.

Advantages

- Clarifies the purpose of the work

- Provides a focus for advisory skills
- May challenge a perception of a lack of understanding amongst operational managers
- Demonstrates the cost and value of advisory work
- Empowers service managers

Disadvantages

- Imposes additional bureaucracy
- Many highlight significant limitations in skills

Amending the boundary

The relationship between risk and internal audit was a recurring theme in our discussions. There was general agreement that internal audit's plan is based on an appraisal of risk. Our understanding is that the plan is formed initially by consideration of the SARC, operational risks and the requirements of external audit. Internal audit then holds a series of meetings with the Strategic Directors to discuss their concerns, and also in some cases Heads of Services. Matters will also be discussed with other members of the audit team. The initial draft is then considered by the Head of Finance and the Chief Executive; a copy also goes to external audit. Certain stakeholders considered that internal audit is not as proactive as it might be in facilitating the identification and management of risk.

At present the post of Risk Manager does not fall within the section; instead the reporting line is through the performance manager and ultimately to the Chief Executive. Amongst the responsibilities of the post is the submission of regular reports to members of the Audit Committee.

The question arises of whether the risk manager should sit formally within the internal audit service. We are aware of a number of authorities that have adopted this approach in recent years. Its major advantage is to ensure that the work of internal audit is clearly focussed on risk areas and that audit effort is appropriately allocated. Some councils also argue that this approach provides a more logical reporting line.

The counter arguments include the point of principle that internal audit should be independent of the risk process if it is to audit that service, and that the risk manager's role is not in the direct delivery of assurance.

Other staff of the authority also provide services that have some relationship to internal audit; examples include the housing benefit fraud investigators and in services those dealing with performance indicators. However none appear to offer clear advantages.

Advantages of an Integrated Internal Audit and Risk service

- Closer focussing on internal audit work on risk
- Potential strengthening of advice on risk matters

Disadvantages

- Arguable conflict
- Different focus of risk manager's work

Service delivery options

Partnership (Collaborative) working with other local authorities

Many of those we interviewed commented on the extent to which the Council now works with other bodies; examples cited included the emerging arrangements for waste disposal, s33 agreements with the local health bodies and cooperation with the voluntary sector. There are widespread reasons to believe this trend is likely to continue. All the leaders and Chief executives of the North Wales local authorities have indicated their commitment to further cooperation. The North Wales Regional Partnership Board is now playing a major role in developing a collaborative approach across a number of areas, and we understand that four Programme Boards are now being introduced to focus on specific areas of delivery. One of these Boards is specifically concerned with Support Services (Finance, HR, Legal etc) and as such will include Internal Audit. Plans for joint delivery in some areas are now well advanced, such as specialist planning. We think it appropriate to reflect this trend in considering the future structure of internal audit, both from the perspective of efficient delivery and in considering the services to be audited.

Internal audit has already recognised the need to reflect partnership working. To an extent an understanding of processes adopted by others has always been an element of internal audit work, if it is to be able to comment on best practice and how it may be used to enhance the operation of any one body. Where delivery, strategic planning or other elements of the service are conducted by more than one body there is also a need to reflect such provision in the way the audit service operates.

We discussed this issue with the Head of Internal Audit, who drew attention to a recent summary drawn up by the North Wales Internal Audit group. Key points include:

- Regular meetings between the group to consider common problems, arising matters technology and the like
- Working groups on shared practices and processes
- Some joint working
- Specific arrangements between member organisations in specialist areas

We are also aware of previous discussions on the advantages and downsides of additional cooperation. It would be fair to say however that while the principles involved are understood there are few examples in this area of a joint approach being adopted in practice.

A variety of options might be considered for working more closely with other audit services. They might be structured to address:

- A single service, such as one which is to be delivered jointly
- The provision of particular skills, such as IT capacity or the service specific skills referred to by interviewees as being important to them for audit to be able to provide the detailed level of advise or consultancy support
- All regulatory work
- All advisory or consultancy work
- The full internal audit service

It should also be noted that these options relate only to the delivery of services. Options for management of the service would need to be developed alongside the collaborative models being considered and could vary depending on whether is there was a single service or aspects of the service delivered through a collaborative arrangement.

In broad terms the advantages of each partnership delivery option are related. A larger base provides

economies of scale; can make economic the employment of resource which no one body can justify and extends the experience of staff. On the downside joint working can break the direct relationship with the service and create issues over inflexibility and governance.

The lack of IT resource in the current internal audit service was noted by several interviewees, and the option of recruiting an internal resource to work across more than one body has clear attractions.

Our appraisal will be affected by the detail of any specific solution. If it were decided to adopt a joint function on a regional or sub regional basis, in overall terms:

Advantages

- Some economies of scale
- More likely to attract and justify officers with specialist skills
- Greater appreciation of practice in other bodies

Disadvantages

- Some loss of detailed understanding of the authority
- Less flexibility in the deployment of staff
- Potential for any one partner to feel short changed

Partnership solutions for the delivery of the current audit service within Flintshire with other private sector providers are considered in the next chapter.

Establishing a consultancy arm

Flintshire like all authorities requires support from time to time. There are two main reasons for such support; either it offers additional skills which staff do not possess, or additional capacity. The costs involved are often considerable particularly if the hourly rates of such support staff are compared to the council's own internal costs.

A small number of authorities have responded to this by setting up internal consultancy functions, using staff with relatively general backgrounds. Services requiring support then engage for a specific piece of work, using an agreed terms of reference in much the same manner they would obtain similar services from an external provider. It would seem logical for the consultancy unit to charge a day rate designed to cover its costs over the year, and for that charge to be fully met by the service involved.

It would be possible to structure this service either as a stand-alone unit or an element of internal audit, the latter on the grounds that it is essentially an extension of advisory work.

Advantages

- Offers potential cost savings
- The staff involved would have a good understanding of the authority

Disadvantages

- Difficult to secure a wide range of current skills amongst the consultants
- Potential for under-recovery of costs

6. Options for Management

The internal audit service has been managed by personnel from Bentley Jennison (now RSM Tenon), under a contractual arrangement since 2002. The rationale is twofold; it provides an additional tier of independence to the service while also ensuring that up to date techniques and processes are employed. The expiry of the contract let in 2006, ended on 31st March last year and provided an opportunity to reconsider the appropriateness of the arrangement, and a member workshop was held.

The discussion remains relevant and a summary note prepared by PwC at the time is reproduced below.

What makes Internal Audit Effective?

PwC began by summarising the role of internal audit. The 2006 CIPFA Code states that: 'the organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the organisation that these arrangements are in place and operating properly.'

Discussion then turned to the principles that CIPFA believe will enhance effective internal auditing, as set out in 'The Statement on the Role of the Finance Director in Local Government', paragraph 9.26. Members and officers commented that the key factors include:

- *The independence of the Chief Internal Auditor and the function as a whole*
- *Ability to obtain access to all individuals and activities*
- *Transparency*
- *The co-operation of all auditees*
- *An effective relationship with the audit committee*
- *The authority and standing of the service in the council*
- *An effective reporting mechanism*
- *Confidence in the service both within and outside the authority*
- *A supportive approach*
- *Appropriate links with external audit, and with the statutory officers*
- *An objective and factual approach*

What is the position in Flintshire against these criteria?

Several individuals drew attention to their confidence in the independence of internal audit that results from the current arrangements. Others cited the strong formal and informal links with external audit, and more generally the positive relationships that have been forged by the service with those under audit. There was a recognition that the governance framework is now mature, and receives appropriate input from internal audit.

Turning to areas for development, a view was expressed that a long term solution to the management of

internal audit would help lead and develop the service as a whole.

Options for future delivery

PwC presented a summary of the characteristics of four different options:

- 1 In-house delivery and management
- 2 External management of internal staff
- 3 Wholly outsourced service
- 4 Partnership. There are a number of possible models, some of which were touched on in the previous chapter. The specific option considered last summer was one whereby a core internal service may be augmented by a contractor under the terms of a broadly based call-off contract

Appendix A re-iterates the key points that PwC made.

David Newman commented that while there are a number of differences in the mechanics of the delivery, there are few if any in terms of the responsibility of the Audit Committee and the Head of Finance as under all options they approve the scope of the work, receive the reports, and ensure the authority responds appropriately.

Risks and Opportunities

There was general agreement that the major opportunities (O) and risks (R) of each of the options above. The view of those attending the seminar are as shown below::

	Option			
	1	2	3	4
Staff continuity	O	O	R	O
Higher quality staff			O	O
Downtime reduced			O	
Productivity enhanced		O	O	O
Certainty for internal staff	O	O		
Access to specialists		O	O	O
Independence of CIA		O		O
IT skills			O	O
Costs			R	R
Flexibility				O
Clarity of role				R

Subsequent developments

Following the meeting the contract with Bentley Jennison was renewed on two occasions for six months each, and then for a further year, with the result that it now extends to 31 March 2011, which is the last date possible for the current contract to be extended to.

Since last June there have been some developments in the general environment. In particular:

- Financial pressures have become more acute, and are likely to remain so for some time to come
- There has been a further emphasis on the need for joint working both within the sector and across the public sector generally
- The impact of the Council's organisational review has begun to be felt, particularly as the new directorates have settled down and those Heads of Service new to the authority have grown into their roles.

We have considered whether these developments have any substantial bearing on the type of management that is needed. Inevitably the financial climate has and will continue to present problems, and therefore those options that offer cost advantages may be more appropriate. However, none of those interviewed said that cost saving is a primary objective of this exercise.

Partnership models with Private Sector Providers

As part of the current review we have extended our consideration of the forms of partnership that the council might consider. As well as the wholly in-house solution – option 1 last year - we have assessed in more detail:

- Option 2 - External Contractor performing Head of Internal Audit (HIA) role with all delivery undertaken by in-house team (i.e. option 2, and the current solution)
- Option 3 - Wholly Outsourced Service (all delivery - management and internal audit team) performed by an external contractor) – last year's option 3. In practice the Council would need some form of client side management
- Option 4 - In House or External Manager performing HIA role with delivery undertaken by in-house team augmented by an external contractor under a broadly based call off contract– versions of option 4

In assessing each of the partnership options, we sought to answer the following three questions:

- Is the option *feasible* – does FCC have the resources and competences to deliver the option?
- Is the option *acceptable* to the key stakeholders and their expectations of the service?
- Is the option *suitable* – does it address the key issues that have been identified by the review, for example adequacy of staff skills and competencies?

Most interviewees valued the access and support of an in-house team but raised questions around their value. Our benchmarking suggests that the current service provision is fairly expensive when compared to other organisations and may not have the right skill set going forward to both provide core assurance and add value.

It is some years since a thorough review was undertaken of the role of the Head of Internal Audit and so it is now an opportune time to review the role to ensure that this reflects what is required now and for the foreseeable future, and can be reflected in either a contract specification or job description depending on the management arrangement chosen.

The partnership or partial outsourcing model can take one of three forms, the feasibility of which we have explored below. For completeness, Option 1 – In House delivery and management is also set out below.

1. In House Delivery and Management

Is this Feasible?	Acceptable to Stakeholders,	Overall Suitability
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	based on our interviews?	
<p>Yes. This remains the chosen model of most councils.</p> <p>Were this option to be pursued in Flintshire an internal HIA would need to be appointed and their role agreed</p> <p>To achieve value for money, this role should be widened beyond audit management to include advisory work and</p> <p>Provides continuity and certainty for the in-house team.</p> <p>Avoids the need for contract management</p>	<p>Partially. Not acceptable to all stakeholders interviewed.</p> <p>Does not address some stakeholder concerns regarding quality of the in-house team and appropriateness of their skill-set</p> <p>Does not address some stakeholders concerns regarding independence of HIA.</p> <p>Provides access to a broader range of skills depending upon the HIA's experience and capability.</p>	<p>Straightforward and transparent arrangement</p> <p>Some opportunity for skills transfer from a new HIA to in-house team</p> <p>Provides an opportunity to revisit the HIA role description in order to provide value.</p>

2. External Management of Internal Staff - Contractor performing HIA role with all delivery undertaken by in-house team (i.e. maintaining the status quo)

Is this Feasible?	Acceptable to Stakeholders, based on our interviews?	Overall Suitability
<p>Yes. Has been the Council's chosen model since 2002.</p> <p>To achieve value for money, this role should be widened beyond audit management to include systems advisory work</p> <p>Provides continuity of approach</p> <p>Requires some form of contract management from within the Council (currently undertaken by the Head of Finance).</p>	<p>Partially. Not acceptable to all stakeholders interviewed.</p> <p>Does address member concerns regarding independence of HIA.</p> <p>Provides access to a broader range of skills depending upon the HIA's experience and capability.</p>	<p>Yes. Members value the independent HIA engagement and access.</p> <p>Putting this solution out to tender potentially enables the Council to achieve a more competitive fee arrangement.</p> <p>Some opportunity for skills transfer from the external HIA to in-house team if made clear in the ITT specification.</p> <p>By going to market, the Council has the opportunity to revisit the HIA role description in order to provide value. This might include making this a part-time role, say three days a week and for some of the more operational aspects of the role to be undertaken in house .</p> <p>Opportunity to use contractor's internal audit methodology and</p>

		report templates.
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3. Wholly Outsourced - An outsourced contract (all delivery – management and internal audit team performed by an external contractor)

Is this Feasible?	Acceptable to Stakeholders, based on our interviews?	Overall Suitability
<p>Yes</p> <p>There is a market for this in the private sector with many professional firms having directly experienced working with clients in such circumstances.</p> <p>Would require some internal Client side management</p>	<p>Partially.</p> <p>Not acceptable to stakeholders interviewed. Wholly outsourced is the least favoured option.</p> <p>Would address member concerns regarding independence of the HIA as the audit delivery would be undertaken by individuals external to the Council..</p> <p>Addresses Heads of Service concerns regarding the skills and capabilities of the in-house team as provides direct access to both internal audit and subject matter specialists depending on specification of the contract.</p>	<p>Maybe.</p> <p>Potential to obtain cost reduction.</p> <p>Provides an element of flexibility in terms of contractor days.</p> <p>Provides an independent delivery team.</p> <p>Provides direct access to both internal audit and subject matter specialists from an external contractor many of whom would bring experience and best practice from working with other organisations and sectors.</p>

4. Partnership. This might take one of several forms. One of the more typical is for an in house Manager to perform the HIA role with delivery undertaken by a core in-house team augmented by an external contractor under a broadly based call off contract. The contractor might then provide specialist skills, strategic advice or offer additional staff to meet need in the short term.

Is this Feasible?	Acceptable to Stakeholders?	Overall Suitability
<p>Yes.</p> <p>Cost base includes fixed elements (in-house staff costs) and variable elements (contractor days and fees).</p> <p>The arrangement would require contract management by the Head of Internal Audit.</p> <p>There is a market for this in the private sector with many professional firms having directly experienced working with clients in such circumstances.</p>	<p>Partially</p> <p>Not acceptable to all stakeholders interviewed.</p> <p>Might not address member concerns regarding independence of the HIA.</p> <p>Addresses Heads of Service concerns regarding the skills and capabilities of the in-house team. Specialists can be deployed from the external contractor to undertake specific audits depending on specification of the contract.</p>	<p>Yes</p> <p>Possible that current costs would increase though the employment of an in house HIA and having a partnership contract in place. Total costs will depend on the use made of the partnership contract.</p> <p>Provides direct access to both internal audit and subject matter specialists from an external contractor, many of whom would bring experience and best practice from working with other organisations and</p>

		<p>sectors.</p> <p>Would enable knowledge transfer from the external contractor to the in-house team through joint working, secondments and training. This addresses stakeholder concerns regarding the skills and capabilities of the in-house team</p>
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7. Recommendations

We are conscious that the council faces two particular time pressures:

- The current contract for the management of the service expires on 31 March 2011 and cannot be extended
- In the current climate it is desirable to identify any potential cost savings as soon as possible

It is of course for members to assess the options for delivery and management of the internal audit service that are set out in this paper. To assist in that process, our recommendations are that:

On Management and Delivery

- 1 The Council should explore the appetite amongst local councils for collaboration on the provision of internal audit. This should cover both the delivery of the service and its management. The latter is of particular concern to us; we believe a form of partnership is one of the few options available that offers the degree of independence seen as desirable by some stakeholders
- 2 A further paper should then be presented to the Audit Committee on the potential for cooperation. Should it prove impractical to make sufficient progress to permit partnership working to commence by 1 April 2011, the Committee should be asked to consider a further short term contract similar to the one currently in place with RSM Tenon

On Scope

- 3 Preparation of the strategic internal audit plan for 2011/12 should be based on a clearer identification of the purpose of each possible piece of work. The classification employed in this paper of risk, regulatory, advisory and consultancy may be useful. Whatever terms are employed it should be clear what falls into the minimum required to discharge the statutory obligations of the council, what is needed to assist other regulators and what supports services.
- 4 At present we do not see any clear advantages in drawing together the internal audit and risk management functions, and thus suggest this option is not pursued.
- 5 Detailed consultation should take place with the Head of Finance on the level of risk and regulatory work required, and with heads of service about the level of advisory and consultancy audit work they would like to see in future years, bearing in mind the cost pressures the council faces. The draft strategy should then as usual be agreed by Executive and the Audit Committee.

On Delivery

- 6 The Audit Committee should call for a further report to address the operational issues raised in Chapter 4, including:
 - Increasing the proportion of operational days
 - Strengthening ties between services and internal audit
 - Reviewing the manner in which investigative work is scoped

On Capacity and skills

- 7 That the capacity and skills required within the internal audit team be considered by the Head of Finance and Head of Internal Audit taking account of the information contained within this report and the outcome of considerations about the scope and delivery of the service, pending the outcome of discussions about future collaborative opportunities to deliver internal audit services.

Appendix A: Options for the Delivery of Internal Audit

	In-house (management and staff)	External management of in-house staff	Wholly outsourced	Partnership
Key features	All staff employed and managed within the authority	As at present. Chief Internal Auditor a BJ employee	Flintshire specify and act as client of a service that is provided by a contractor	Flintshire provide a core service which can be augmented by a contractor under the terms of a broadly based call off contract
Who employs the staff?	All employed by Flintshire	All employed by Flintshire except for the Head of Internal Audit	Contractor	Flintshire employs core staff, augmented by partner staff as required
Who provides day to day management?	Flintshire	Contractor	Contractor	Flintshire for core service, Contractor for additional work
Who deals with training and support?	Flintshire	Flintshire, with advice from CIA	Contractor	Flintshire for core service, Contractor for additional work
Who is responsible for the scope of the work?	Head of Finance, CIA	Head of Finance, CIA	Head of Finance, CIA	Head of Finance, CIA
Who approves the audit strategy?	Audit Committee	Audit Committee	Audit Committee	Audit Committee
Who determines the reporting arrangements?	Audit Committee, Head of Finance, CIA	Audit Committee, Head of Finance, CIA	Audit Committee, Head of Finance, CIA	Audit Committee, Head of Finance, CIA
Who assesses quality?	Audit Committee, Head of Finance, CIA	Audit Committee, Head of Finance, CIA	Audit Committee, Head of Finance, CIA	Audit Committee, Head of Finance, CIA

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FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 9

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **THE USE OF CONSULTANTS**

1.00 PURPOSE OF REPORT

1.01 To inform members of work done by Internal Audit on the use of consultants by FCC, and the further work to be done.

2.00 BACKGROUND

2.01 Internal Audit has gathered information with regards to the use of consultants as a result of questions raised by Cllr Halford.

2.02 Cllr Halford contacted Internal Audit in February 2010 to ask some questions regarding the use of consultants within FCC.

The specific questions were

1. How many consultants are currently employed by the Authority?
2. What is the cost of each contract?
3. How long is the contract?
4. How are consultants engaged - is it by tender and who decides?

2.03 Although Internal Audit compiled the information to reply to these questions, it has not been subject to audit review or verification. There was also no attempt made to confirm or question the reasons for the use of individual consultants - specialist expertise, capacity gaps, required for independence or by an external funder, or any other reason.

2.04 Consultants are engaged by various departments across the Authority, depending on the service that is required. Information is not held centrally. It was therefore necessary to request the information from each Directorate. In order to do that there had to be an agreed definition of what was meant by 'consultant' so that there would be consistency of approach and meaningful information. The Chief Executive suggested four definitions to use, which also meant that it would be possible to differentiate between the various types of consultancy.

The definitions were:

1. 'Retained consultant', e.g. advisers to the Pension Fund
2. 'Retained for special projects, longer term', e.g. advisers on Waste
3. 'Consultants for specific processes', e.g. consultants appointed to look at the voids process in Housing.
4. 'Consultants employed for specialist services such as training', e.g. social services trainers.

Date: 23/09/2010

3.00 CONSIDERATIONS

Summary of results

3.01 How many consultants are currently employed by the Authority?

Consultants are employed for a number of reasons and in a number of ways. Many are only used on an ad hoc basis when they are actually needed. At the same time, only names of companies are recorded in the system, rather than the names of individuals. The figure of how many consultants are actually employed on a specific day would therefore be difficult to obtain. However, the data obtained from the consultancy account code gave all the consultants / consultancy firms used from 1st April 2009 to 19th February 2010 - when the enquiry was made. This showed a total of 96 had been used in that time.

3.02 What is the cost of each contract?

Each one varies, depending on how it is set up. Where an individual is sometimes used on an ad hoc basis, he/she will only be paid for the time spent. Some of these had total costs for the year of less than £100, and many were less than £1,000. Others are set up for complete projects and have a contract lasting several years, such as a consultant to the NW Waste project with costs of £52,000 in the time period, or a consultant to help with the IT provision for the PARIS project with costs of £116,000.

It is also important to note that some of the higher costs will be covered by funding from the Welsh Assembly Government or elsewhere, so that the Authority will not bear all the cost. The £52,000 cost quoted above is funded jointly by the partner authorities in the NW Waste project.

The overall cost (including costs that can be reclaimed) per each category of the definition is as follows

1.	Retained Consultants	£257,000
2.	Retained for special projects, long term	£126,000
3.	Consultants for specific processes	£335,000
4.	Consultants for specialist services	£289,000

3.03 How long is the contract?

As above, each one varies. Many of the consultants used on an ad hoc basis do not have a contract, they are simply contacted when they are needed for specific pieces of work. Others are for specific time periods, up to three years, or for the length of the project.

3.04 How are consultants engaged - is it by tender and who decides?

As already explained, consultants are engaged by whichever department or Directorate needs them.

Contract Procedure Rules give different methods of engagement dependent on the value of the contract.

For those under £10,000 there is no requirement to obtain quotations, but due consideration should be given to the overriding principle to seek value for money. 71 of the consultants fall into this category.

For those between £10,000 and £30,000 three written quotations must be sought. 13 of the consultants fall into this category.

For those between £30,000 and £100,000 at least four organisations should be invited to tender. 9 of the consultants fall into this category.

For those over £100,000, there must be public advertisement and a notice placed in the Official Journal of the European Union. 3 of the consultants fall into this category

Exceptions can be made to these rules under exceptional circumstances such as urgency. From the information received it has not been possible to confirm whether these rules have been followed in every case, or whether exceptional circumstances have applied.

- 3.05 Several issues have become apparent from the collection and compilation of the information necessary to answer the questions posed.

As a result an audit review of the effectiveness and adequacy of controls over the use of consultants has been added to the audit plan, to be completed as soon as possible. The results of the review will be brought to the Audit Committee when it is completed.

4.00 RECOMMENDATIONS

- 4.01 That the committee notes the results of the work carried out so far and supports the further work being carried out by Internal Audit.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None.

6.00 ANTI POVERTY IMPACT

- 6.01 None.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

None

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FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 10

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **FINAL REPORTS AND PERFORMANCE INDICATORS**

1.00 PURPOSE OF REPORT

1.01 To inform Members of final reports issued since the last Audit Committee (Appendix A), and of Directorates and Internal Audit's performance for responses against target (Appendix B and Appendix C).

2.00 BACKGROUND

2.01 Internal Audit is required to prepare a report detailing the outcome of all audit work and report performance against a range of indicators.

3.00 CONSIDERATIONS

3.01 This report details the outcomes of all reports finalised since the last Audit Committee - Appendix A. The Appendix also includes details of the limited assurance reports issued in that time.

3.02 Response times continue to be monitored by the audit department against the target times of 30 days for corporate reports and 20 days for all other reports. The time taken to issue draft and final reports is also monitored.

3.03 For every indicator with a result outside the target times, an explanation has been gained and is noted in Appendix B. These have been affected by annual leave, which is normal for this time of year.

3.04 Details are also given of one draft report currently outstanding outside the target times. This has also been affected by annual leave, and is being pursued.

4.00 RECOMMENDATIONS

4.01 The Committee is requested to note this report.

5.00 FINANCIAL IMPLICATIONS

5.01 None.

6.00 ANTI POVERTY IMPACT

Date: 23/09/2010

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Final Reports Issued
PI's on issued reports
Outstanding Draft Reports

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

None.

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

Project Reference	Project Description	Level of Assurance	Recommendations		
			F	S	MA
CD0030N1	Corporate Governance	Adequate	0	3	6
CD0400N1	Health & Safety Strategy	Substantial	0	2	4
FD0030N1	Income From Fees & Charges	Adequate	0	1	2
FD0080N1	Main Accounting	Limited	1	6	16
FD0615P1	Housing Benefits - WAO	Limited	0	2	0
HR0155N1	Payroll systems review	Limited	0	10	6
HR0210N1	Absence Management	Limited	2	1	3
HR0220N1	Holiday Entitlements	Limited	0	5	6
IT3200N1	IT Helpdesk	Substantial	0	0	3
LL0035P1	CFS Grants	N/A	0	0	0
LL0050N1	School Opening/Closing Procedures	N/A	0	4	1
LL0190N1	E-Teach	Limited	0	4	3
CS0033N1	Multi-skilling	Limited	0	4	1
	Investigation Report				
OA9061P1	Missing Monies	N/A	0	0	1

Levels of Assurance – standard reports.

Substantial – A robust framework of controls ensures objectives are likely to be achieved. In addition, controls are applied continuously or with minor lapses.

Adequate – A sufficient framework of key controls for the object to be achieved, but the control framework could be stronger. Or, controls are applied but with some lapses.

Limited – There is a risk of objectives not being achieved due to the absence of key controls. Or, there is significant breakdown in the application of controls.

Levels of Assurance – follow up reports.

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

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

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

Categorisation of Recommendations

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

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

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

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

Summary of Findings and Action Plan of Reviews with Limited Assurance

FD0080N1, Main Accounting

The review highlighted 1 fundamental and 6 significant concerns covering the following:-

- The inadequacy of current processes for monitoring income collection and the performance of debt recovery.
- Payments made to contractors within the Construction Industry Scheme should comply with HMRC VAT Notice 708.
- Stricter control must be implemented in the payment of invoices to avoid duplications.
- There is a lack of audit trail for bad debts written off to the ledger.
- The recommendations made by PwC in 2008/09 regarding the impairment review methodology should be implemented.
- The new database for the writing off of bad debts needs to be in place prior to the audit of the 2009/10 Statement of Accounts.
- Procedures relating to the authorisation of sales orders and sales credit notes should be strengthened in line with those relating to purchase orders.

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
19	<p>The adequacy of the current processes in place for monitoring income collection and the performance of credit control / debt recovery within the authority should be assessed.</p> <p>The resource issues around the recovery of aged debtor balances less than 97 days old need to be resolved as a matter of priority.</p> <p>A statement of policy and an operational procedure should be developed for the management of suppressed accounts, which</p>	Fundamental	Y	<p>Since this audit was carried out, we have recruited a full-time member of staff to work alongside the current Corporate Debt Recovery Officer.</p> <p>We are also reviewing a large number of existing processes in order to deliver a more efficient, effective service.</p> <p>Resource requirements will be</p>	31.3.2011	Revenues and Benefits Manager

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
	<p>sets out;</p> <ul style="list-style-type: none"> -The criteria for suppressing an account; -The arrangements for monitoring and managing suppressed accounts; -The documentation that should be retained to ensure an adequate audit trail. <p>All suppressed invoices should be reviewed by the Directorate Finance Officers as a matter of priority to determine whether the decision to suppress recovery action remains appropriate.</p> <p>All accounts with a Stop marker should be reviewed by the Directorate Finance Officers to determine whether the decision to suppress recovery action on all current and future invoices remains appropriate.</p> <p>A statement of policy and an operational procedure should be developed for the management of accounts with Stop Markers, which sets out;</p> <ul style="list-style-type: none"> -The criteria for placing a Stop marker on an account; -The arrangements for monitoring and managing accounts with Stop markers; -The documentation that should be retained to ensure an adequate audit trail. 			<p>reviewed in full as part of the wider Finance Function Review.</p> <p>Operational procedures will be developed and circulated and include clarification on the circumstances in which a 'stop' or suppression may be applied to an account, outlining the process for doing so and detailing future monitoring arrangements.</p> <p>Departments will be requested to carry out regular reviews of suppressed invoices and stop codes.</p>		
3	A full review should be undertaken of payments made to contractors via authenticated receipts within the Construction Industry Scheme to ensure compliance with HMRC VAT Notice 708.	Significant	Y	A review of procedures will be undertaken and appropriate (refresher) guidance provided to staff involved in related procedures	31.10.10	Senior Accountant Corporate and Capital Accounting

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
15	The occurrence of duplicate payments needs to be addressed and controls enforced to guard against potential losses to the Authority.	Significant	Y	<p>Following a software demonstration on the 25.6.10, the Systems & Performance Manager is to submit a business case recommending the purchase of a market leading Duplicate Payment software that is widely used with great success by numerous Local Authorities, public and private sector organisations.</p> <p>We monitor potential duplicate payments daily but are limited as to what more we can do beyond the capabilities of the queries that have been written.</p> <p>The implementation date will depend on gaining the necessary approval to proceed and the timescales given by the software supplier.</p>		Revenues and Benefits Manager
20	<p>New codes should be set up on the general ledger chart of accounts for the write off of bad debts to ensure all bad debt write offs debited to the ledger are identifiable.</p> <p>Directorate Management need to determine where responsibility for the recovery of debt from deceased service users currently lies, to establish whether this is a function of the Directorates, the Enforcement team or the Legal team.</p> <p>A statement of policy and an operational</p>	Significant	Y	<p>Coding arrangements will be reviewed and revised as necessary to accommodate user and audit requirements; this exercise will be progressed in conjunction with the Finance Officers' Group (FOG).</p>	31.07.10.	Head of Corporate and Capital

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
	<p>procedure should be developed for the management of deceased with debt, which sets out;</p> <ul style="list-style-type: none"> -Responsibility for the notification of deceased with debt to the relevant recovery team; -Responsibility for the identification of next of kin and Executors of the Estate; -Responsibility for the submission of claims against the Estate. -The arrangements for monitoring and managing deceased with debt accounts. 					
21	<p>The Authority's Financial Procedure Rules should be strengthened to include reference to the authorisation of sales orders and sales credit orders by authorised signatories in line with the procedures currently in place for purchase orders.</p>	Significant	Y	Financial Procedure Rule 9 Income & Expenditure will be included in the next annual review.	February 2011	Head of Financial Planning
22	<p>In accordance with the recommendations made by PwC following the 08/09 year end audit the impairment review methodology should comprise the following;</p> <ul style="list-style-type: none"> - assessment of individually significant assets for objective evidence of impairment (e.g. significant financial difficulties, breach of contract, probable bankruptcy, etc); - assessment of all other assets which are not individually significant, either collectively or individually; - inclusion of all assets that have been assessed individually but for which no impairment evidence has been found in a group of assets with similar 	Significant	Y	All recommendations made by PwC at the conclusion of the 2008/09 audit have been progressed over the months since January 2010, through a designated interim staffing appointment. All matters have now been addressed and will be followed by a future project to develop a corporate debt policy and review the Council's debt procedures.	30.04.10.	Revenues and Benefits Manager

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
	credit risk characteristics for collective assessment of impairment; - in addition it should be noted that losses expected as a result of future events, no matter how likely, are not to be regarded as objective evidence of impairment and should not be taken into account.					
23	In accordance with the recommendations made by PwC following the 08/09 year end audit it should be ensured that the new database for the write off of bad debts is implemented as soon as is practical to do so.	Significant	Y	The write off system is in its latter development stages. The system will be implemented as soon as the development has been signed off and once all relevant parties are happy that it meets all requirements.	31.3.2011	Revenues and Benefits Manager

FD0615P1, Housing Benefits - WAO

The review highlighted 2 significant concerns covering the following:-

- Testing revealed a large error rate in the claims sampled
- Training must continue to be prioritised in order to aid the reduction in errors occurring.

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
3.1	It is recommended that following the large number of inaccuracies found by both Wales Audit Office and Internal Audit on a relatively small sample of claims, the Housing Benefit Section review their processes to ensure that input errors are minimised and that assessors are reminded of the importance of thoroughly checking the information available to them on the system prior to processing claims.	Significant	Y	For the claims where there were system problems, this has now been fixed. The results of our quality control checking will be fed into individual meetings and/ or team sessions to highlight problem areas and to introduce amended processes or procedures as required to minimise future occurrence.	31/12/2010	Jen Griffiths
3.1	It is recommended that training remains a priority within the section and that the results of the training are processed in a timely manner.	Significant	Y	As above the results of quality control checking and procedures will feed into individual and/or group training. In addition we are arranging for refresher system training for all of our existing staff members. This will assist with ensuring that all staff are aware of processes and procedures and there is a consistent approach to claims processing.	31/3/2011	Jen Griffiths

HR0155N1, Payroll systems review

The review highlighted 10 significant concerns covering the following:-

- The system does not require national insurance numbers to be set up before an employee is paid and also allows different employees to have the same national insurance number.
- The system does not warn an operator if a travelling claim has been input for the same period or amount and does not provide the operator with information on the data that has been submitted.
- Weaknesses in the establishment control process.
- The identification and rectification of ongoing issues with the operation of the payroll.
- Control over the output of creditor payment data.
- The process for the receipt and payment of data received from feeder systems and other remote systems.
- The involvement of development staff in the processing of feeder system data.
- The procedure for processing timesheet data.

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
1	The supplier should be requested to consider introducing a requirement that would prevent a national insurance number being entered more than once.	Significant	Y	The supplier will be requested to consider the recommendation.	July 2010	John Griffiths
	Staff should not be paid on the payroll if no national insurance number is provided.	Significant	Y	Employers are not legally entitled to withhold pay from an employee who has not provided a National Insurance number	Not applicable	Caryn Jones

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
2	The procedure for appointing all staff should be defined with regard to establishment control. Information contained within workforce reports should be verified as accurate.	Significant	Y	Guidelines being developed for managers, to be published on Infonet.	July 2010	Rebecca Noble
		Significant	Y	To be addressed within remit of Establishment Control & Relief Workers Projects.	December 2010	Rebecca Noble
3	Copies of the issues log should be provided to Internal Audit on a regular basis particularly where critical control issues have been highlighted. Where controls are revised as a result of the issues Internal Audit should be consulted prior to implementation.	Significant	Y	Internal Audit will be included in the distribution of the Trent Improvement Project's Risk & Issues Logs.	June 2010	John Griffiths
4	The payroll provider should be requested to consider introducing a requirement within the system to prevent expenses claims being recorded more than once for the same person where the amount and/or the period being paid are the same. The payroll provider should be requested to consider introducing a facility in the system to enable mileage claim data input to be verified. The payroll provider should be requested to consider the inclusion of the amount of expenses claimed onto the print out of data entered.	Significant	Y	The supplier will be requested to consider the recommendation.	July 2010	John Griffiths
		Significant	Y	The supplier will be requested to consider the recommendation.	July 2010	John Griffiths
		Merits Attention	Y	The supplier will be requested to consider the recommendation.	July 2010	John Griffiths

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
6	The file of external creditors provided by payroll to accounts payable should incorporate control totals on the number of records and total value. The total output by payroll should then be agreed to the accounts payable control total produced following the APJ920 run.	Significant	Y	Control totals are provided by System Management, who since April 2010 have confirmed a total value, the number of records will be stated with immediate effect. Viability of total output being agreed to accounts payable control to be reviewed alongside scheduled review of interfaces between Payroll & Masterpiece.	June 2010 August 2010	Paul Jones Angela Peters
8	Consideration should be given to developing a system that allows data to be input and validated by the payroll system with the minimum of manual intervention and allows for the use of control totals. Development staff should not be involved in the process for the receipt and processing of feeder data.	Significant Significant	Y Y	Viability of recommendation to be considered. Eteach now undertaken by System Management, roles and responsibilities will be further reviewed within context of HR Service review.	August 2010 December 2010	John Griffiths Rebecca Noble

HR0210N1, Absence Management

The review highlighted 2 fundamental and 1 significant concerns covering the following:-

- Return to Work Interviews were not always carried out
- Trigger points were not always acted upon by Line Managers
- The procedure for dealing with long term sickness absences was not always followed

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
3	Line Managers should be reminded/trained that a Return to Work Interview must be carried out immediately after every period of Sickness Absence.	Fundamental	Y	The new Attendance Management Policy was launched in April 2010 and cascaded to all managers and employees. HR Policy Advisor/ HRM's to agree communication through DMT's following 1 st Quarter results which remind managers of their responsibilities under new policy.	30 th September 2010	HR Policy Advisor/ HRM's
5	The Attendance Review Meeting is an essential element of the Attendance Management Strategy. Line Managers should be reminded/trained that when Trigger Points are hit the Policy must be followed and as such an Attendance Review Meeting (as per the new policy) should be carried out.	Fundamental	Y	HRM's have agreed process for reviewing triggers and ensuring consistent action is taken in each Directorate as part of the Attendance Management Strategy. To be reviewed as part of review of 1 st Quarter results.	30 th September 2010	HRM's

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
4	Line Managers should be reminded/trained of the requirements of the new Attendance Management Policy i.e. that where a member of staff is likely to be absent for four weeks or where the absence is due to symptoms relating to stress or psychological illness, an immediate referral to the Occupational Health Unit is required. The new policy extends this requirement to include musco-skeletal issues and absences following an accident at work.	Significant	Y	The new Attendance Management Policy was launched in April 2010 and cascaded to all managers and employees. HR Policy Advisor/ HRM's to agree communication through DMT's following 1 st Quarter results which remind managers of their responsibilities under new policy. To be monitored through the Senior HR Advisers and occupational health	30 th September 2010	HRM's/ HR Policy Advisor

HR0220N1, Holiday Entitlements

The review highlighted 5 significant concerns covering the following:-

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
1	Any new legislation regarding holiday entitlements should be disseminated to all appropriate officers across the directorates responsible for administering holiday entitlements to ensure the Authority is fully compliant with the latest directives.	Significant	Y	Any changes in legislation regarding holiday entitlement will be communicated to all officers via workforce communications and also published on the YourHR page of the infonet	Immediate	Rebecca Noble/Sharon Cave
2	It is recommended that the Authority implements a comprehensive Holiday Entitlement Policy which is ratified by members and reviewed regularly to avoid confusion and bring consistency.	Significant	Y	Need to revise current holiday entitlements in line with T's and C's for each of the contractual types. Need to review content of contracts arrangements and current practise around holidays and develop robust guidelines around holiday entitlement. Project plan to be developed – this will be shared with Audit.	End Nov	Rebecca Noble/Sharon Cave
3	Guidance from HR should be clear and precise on all aspects of the process of calculating the correct holiday entitlements for all employees. It is imperative that officers are aware of individual responsibilities and those of HR. This could be achieved by producing a comprehensive appendix to a Holiday Entitlement Policy which gives clear procedures and guidance on best practice in administering and monitoring holiday entitlements across the Authority to ensure consistency and accuracy of approach.	Significant	Y	Phase 2 iTrent implementation is being scoped at the moment and one of the functions this would potentially give us is the ability to process all holiday requests through Employee and Manager self Service this would immediately ensure consistency.	TBC Timescales can be provided once project plan is agreed (approx Nov 2010).	Rebecca Noble/Sharon Cave

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
5	Holiday Entitlements should be consistent across the Authority to ensure fairness and transparency, and in accordance with the principals of Single Status.	Significant	Y	Phase 2 iTrent implementation is being scoped at the moment and one of the functions this would potentially give us is the ability to process all holiday requests through Employee and Manager self Service this would immediately ensure consistency. See point 2 also	TBS Nov 2010.	Rebecca Noble/Sharon Cave
7	HR should send a reminder to all managers that all holidays requested should be authorised by a manager and the carry forward of leave days be properly monitored to ensure adequate staffing levels and be consistent with the rest of the Authority	Significant	Y	This was done towards the end of the previous annual leave year and will be repeated again this year. Reminder message to all manager re ensuring employees holidays are signed off/authorised and a record of the approval kept. Also that employees are taking regular holidays in line with working time regulations. Carry forward of holidays should be exceptional rather than normal practise.	December October	Rebecca Noble/Sharon Cave
13	It is recommended that Trent be further developed as a tool to manage the Authority's Holiday Entitlements.	Merits Attention	Y	Phase 2 iTrent implementation is being scoped at the moment and one of the functions this would potentially give us is the ability to process all holiday requests through Employee and Manager self Service this would immediately ensure consistency.	Project scoping to be completed Nov 2010	Rebecca Noble

LL0190N1, E-Teach

The review highlighted 4 significant concerns covering the following:-

- E-Teach is not the sole provider of the Authority's supply teachers.
- There are no controls to check data exported from E-Teach is correctly applied to payroll.
- Password security is not being observed
- CRB checks must be in place prior to entering staff on to E-Teach and all relevant information held on file for a clear audit trail.

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
1	<p>A full evaluation of the E-Teach system needs to be undertaken to determine the most cost effective and efficient method going forward for providing education personnel to schools as against other potentially viable options.</p> <p>A budget exercise needs to be completed on the costs of using agency placements for supply teachers in comparison to the E-Teach system.</p>	Significant	Y	<p>Review of the spend on supply for 09/10 has been carried out. Schools spent £2.7m on supply recruitment. Therefore the total net cost of eteach of £28k is minimal – i.e. approx £280 per school per year. Schools will pay a fee to an agency for each day of supply engaged.</p> <p>The Audit has identified that some £350K was spend on agency staff during 09/10. This however only represents 13% of the total spend – the rest being managed via the eteach system.</p>	March 2011	Kim Brookes

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
				<p>The £28k total cost to eteach includes the payroll function. If this was not provided there would be staff time needed to complete, submit and process paper timesheets monthly thereby occurring costs associated with printing, postage and officer processing.</p> <p>The eteach supply database is offered to schools under a Service Level Agreement. This is due for renewal April 2011. Consideration to be given to ongoing financial viability of providing this service to schools .</p>		
2	E-Teach should be contacted to enquire as to whether data exports can be amended to give totals and the number of records per files submitted. This would strengthen control by allowing checks to ensure that data exported to payroll is accurately applied. In addition there is a need for payroll to provide control total information to reconcile with E-Teach data exports. This was previously recommended in 2007.	Significant	Y		October 2010	Fran Griffiths
6	Officers with access to E-Teach should be reviewed at least annually to ensure that details are correct and up to date. To enhance the protection of information on computer systems password prompts should be implemented in line with the Authority's Security of Information Policy. This was previously recommended in 2007.	Significant	Y	There are approximately a total of 12 staff in Staffing/Finance/ICT who have administrative access to eteach. As part of software development eteach have been asked to set-up 'read-only' access to users (other than prime-users) and to alert password prompt changes every 90 days.	March 2011	Fran Griffiths

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
7	Up to date CRB checks must be in place before an applicant is added to E-Teach. For consistency and audit trail purposes all files should contain evidence of all the documents required or witnessed.	Significant	Y	This is already being applied as a fundamental requirement of the application process.	On-going	Fran Griffiths

CS0033N1, Multi-Skilling

The review highlighted 4 significant concerns covering the following:-

- Continuous performance monitoring and reporting to ensure targets are met.
- No formal agreement is held by management.
- No monitoring of assessments / training obtained by operatives
- Incomplete assessment / training records held

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
1	Performance monitoring and reporting should continue on an ongoing basis to ensure that targets are met, whether for the existing arrangements or for the new project.	Significant	Y	Existing systems are in place to manage and report on the performance of the Building Maintenance Team.	Immediate	Housing Asset Manager
2	Dependant on the future direction of the service, a final signed agreement should be obtained for any future agreements.	Significant	Y	Negotiations with staff and trade unions are currently underway to reach an agreement on modernising the work of the Building Maintenance Unit. A signed agreement by all parties will conclude the negotiations.	June 2011	Housing Asset Manager
4	Annual appraisals should include an assessment of each operative to ensure that operatives maintain the necessary skills for undertaking multi skilled works.	Significant	Y	Annual appraisals for trade staff will be amended to include a section on the amount of multi skilling allocated to an operative and their ability to continue to undertake such work.	November 2010	Housing Asset Manager

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
5	The service should maintain an accurate record of assessments and training for all multi skilled staff.	Significant	Y	Current records will be reviewed and future assessments will be recorded accurately.	January 2011	Housing Asset Manager

Performance Indicators

CORPORATE			
Performance Indicator	Target Number of Days	Reports Finalised for Audit Committee 28 Jun 2010	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	7 days	5 days
Time from issue of draft report to receipt of management response	20 days	0 days	0 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	39 days	25 days
Time from receipt of management response to issue of final report	5 days	3 days	1 day

FINANCE			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 28 Jun 2010	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	10 days	2 days
Time from issue of draft report to receipt of management response	20 days	13 days	39 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	4 days	23 days

Main Accounting – the delay in finalising this report is mainly due to the change in senior management within the Finance department and also reflects a difficulty in agreeing responsibility for a particular recommendation.

Fees and Charges – A late response from Finance relating to the progress in implementing the recommendations made in the previous audit and providing a revised management response. Also, protracted discussions with Environment Directorate officers agreeing the content of the report relating to industrial units.

Performance Indicators

LEGAL AND DEMOCRATIC			
Performance Indicator	Target Number of Days	Reports Finalised for Audit Committee 28 Jun 2010	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	11 days	0 days
Time from issue of draft report to receipt of management response	20 days	0 days	0 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	30 days	0 days
Time from receipt of management response to issue of final report	5 days	3 days	0 days

HUMAN RESOURCES			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 28 Jun 2010	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	18 days	9 days
Time from issue of draft report to receipt of management response	20 days	21 days	26 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	3 days	9 days

Payroll – Receipt of management response involved several members of staff. Audit staff absence delayed publication of Final Report.

Holiday Entitlements – Audit staff absence delayed publication of Draft & Final Report.

Performance Indicators

INFORMATION TECHNOLOGY			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 28 Jun 2010	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	16 days	28 days
Time from issue of draft report to receipt of management response	20 days	14 days	52 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	74 days	0 days
Time from receipt of management response to issue of final report	5 days	4 days	3 days

Information Security (Applications) - The delay in responding was due to an action being agreed between Directorates

LIFELONG LEARNING			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 28 Jun 2010	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	0 days	10 days
Time from issue of draft report to receipt of management response	20 days	0 days	40 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	0 days	2 days

School opening and closing procedures – The delay in responding was due to further issues raised on the draft report

E – teach – There was a delay in finalising this review due to a query raised on the response to the draft report

Performance Indicators

COMMUNITY SERVICES			
Performance Indicator	Target Number of Days	Reports Finalised for Audit Committee 28 Jun 2010	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	16 days	17 days
Time from issue of draft report to receipt of management response	20 days	27 days	15 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	1 days	2 days

ENVIRONMENT			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 28 Jun	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	7 days	0 days
Time from issue of draft report to receipt of management response	20 days	38 days	0 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	4 days	0 days

Performance Indicators

Current outstanding reports where number of days from issue of draft report to receipt of Management Response exceeds the target

Directorate	Project Code	Title	Number of days	Target number of days	Level of Assurance
Human Resources	HR0150N3	Payroll S151 Compliance	35	20	Limited

This requires a number of officers to contribute to a co-ordinated response. Some staff absences have meant that the responses have been delayed.

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 11

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **INVESTIGATIONS PROGRESS REPORT**

1.00 PURPOSE OF REPORT

1.01 To outline ongoing proactive counter fraud work and reactive investigative work.

2.00 BACKGROUND

2.01 One of the areas of responsibility of Internal Audit is to promote the Anti-Fraud and Corruption Strategy. Its objectives are to proactively develop an anti fraud culture, deter, prevent and investigate fraud, as well as provide advice on sanctions and redress.

3.00 CONSIDERATIONS

3.01 The gravity and status of referrals which have been subject to further audit work are detailed in the attached referral report (appendix 1). The referral report also includes the number of fundamental, significant and merits attention recommendations for completed draft reports. Some referrals are classed as management issues. They are referred directly to the appropriate Directorate for further action and are followed up by Internal Audit.

3.02 The following investigations have been completed:

2. A referral has been received from another local authority concerning potential fraudulent advertising by an advertising company. It has not been possible to prove if a fraud has occurred however action is being taken to recover monies lost by the Authority. A draft report has been issued.
3. An allegation was received regarding potential misuse of Council vehicles. The allegations were investigated and a recommendation was made that the situation regarding officers being allowed to take County Council vans home should be clarified and disseminated to all staff.
5. An allegation was raised regarding private work being carried out using Council equipment. The officer admitted to the allegation and has received management advice.

Date: 23/09/2010

3.03 The following outstanding investigations have been referred:

None

3.04 The following investigations are over two months old.

1. A referral was received regarding potential misuse of a direct payment. Following initial internal investigations the matter was referred to the North Wales Police who have investigated the case and and have decided not to proceed with a prosecution. The case continues to be considered for civil action by the Council.

4. An allegation has been received regarding potential financial malpractice at a County Council establishment. An audit report has been prepared and is being considered as part of a disciplinary investigation.

3.05 Data for the National Fraud Initiative 2010 is required to be submitted to the Wales Audit Office by 4th October 2010. Internal Audit are currently verifying that Fair Processing Notices are in place to ensure all individuals whose data is to be submitted have been made aware of this fact.

4.00 RECOMMENDATIONS

4.01 The Committee is requested to note the report

5.00 FINANCIAL IMPLICATIONS

5.01 None.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Investigation detail.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

None

Contact Officer: David Webster
Telephone: 01352 702248
E-Mail: david_webster@flintshire.gov.uk

Detailed referral report (2010/11)

Number	Status	Referral	Draft report	Description	Value (if applicable)	Outcome	Recommendation		
		Date	date				F	S	M
1	WIP	15/12/2008		Direct payment					
2	Completed	29/07/2009		Fraudulent advertisement	£150.00	Unfounded			
3	Completed	04/05/2010		Misuse of Council vehicles		No evidence, recommendation made		1	
4	WIP	06/05/2010		Financial malpractice					
5	Completed	14/07/2010	No Report	Private work undertaken		Management advice			

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 12

REPORT TO: **AUDIT COMMITTEE**
DATE : **29 SEPTEMBER 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **OPERATIONAL AUDIT PLAN AND RECOMMENDATION**
 TRACKING

1.00 PURPOSE OF REPORT

1.01 To inform Members of progress made against the 2010/11 operational plan. The plan is attached (Appendix A). Amendments to the plans since the last committee meeting are shown (Appendix B). This also shows amendments reported to previous Audit Committee meetings. The results of the current recommendation tracking since the previous Audit Committee are also attached (Appendices C and D).

2.00 BACKGROUND

2.01 The status of all projects at 17th September 2010 is included in the operational plan. The plan shows the agreed timing for the individual projects where it is known. The recommendation tracking provides details of all recommendations tracked since the previous Audit Committee.

3.00 CONSIDERATIONS

3.01 Work has commenced on the 2010/11 plan, however progress has been slow. At the present time four audits have been completed to draft report stage, with a further ten in progress. This means that the department is currently behind on planned activity. There are several reasons for this:

3.02 There have been a number of additions to the audit plan. These have entailed the use of 81 days of audit time so far, with more still to be used. The provision for ad hoc requests in the plan was set at 75 days for the complete year, based on previous experience. Details are given in Appendix B. The Appendix also shows the changes to the plan previously reported to the committee.

3.03 The work of the department has been affected by the time needed to work through the Finance Function Review and the PwC report. This will continue over the next few months as detailed proposals are discussed, agreed, amended and implemented.

3.04 One member of the department has been seconded to the Job Evaluation team for approximately 10 weeks, to review Job Evaluation Questionnaires

Date: 23/09/2010

within schools. The possibility of arranging 'backfill' for this work is being pursued.

- 3.05 As a result of these developments a revised audit plan for the remainder of the financial year will be produced. Consultation will take place with Directorates, Corporate Services and the External Auditors to ensure that the plan is sufficient to meet regulatory requirements and is targeted at major risk areas. The plan will be presented to the Audit Committee at its December meeting.
- 3.06 A summary of recommendation tracking is given in Appendix C. On this occasion we have not received responses with regards to Public Transport and Taxi Contracts. These will be pursued. The detailed responses received from management are given in Appendix D. This also includes the test results that led to the recommendations and the date of the original audit report.
- 3.04 Two of the uncleared recommendations have now been tracked more than five times. These both relate to Cleaning Services, where there was no manager for some time, and relate to an operational manual and a risk assessment. A manager is now in place and progress has been made - two other recommendations in the same area, relating to written policy and training records have now been cleared.

4.00 RECOMMENDATIONS

- 4.01 The Committee is requested to consider the report.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None.

6.00 ANTI POVERTY IMPACT

- 6.01 None.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None.

8.00 EQUALITIES IMPACT

- 8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Operational Plan 2010/11
Amendments to the plans
Audit Tracking Summary
Audit Tracking Detail

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

None.

Contact Officer: David Webster
Telephone: 01352 702248
E-Mail: david_webster@flintshire.gov.uk

APPENDIX A

Internal Audit Operational Plan 2010/11

CORPORATE

Risk Based Coverage

Risks / Source	Risk Area	Days	Status
Council Governance			
1	Project Management	10	TBA
2	Performance Management/ Business Planning.	20	WIP
4	Risk Management.	10	FEB
18	Procurement	20	WIP
Community Leadership			
3	Voluntary Sector Grants review.	15	TBA
Council Delivery			
30	DSO Performance	20	TBA
32	Business Continuity	15	DEC

Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Corporate Governance	10	TBA
Collaborative Working	10	TBA
Theatr Clwyd	10	TBA

Total

140	
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FINANCE

Risk Based Coverage

Risks/ Source	Risk Area	Days	Status
Council Governance			
CG06	Medium Term Financial Strategy	20	NOV
CG07	Financial Management and Control	30	DRAFT

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Days	Status
Main Accounting (General Ledger, Income and Debtors, Accounts Payable, Cash Receipting)	50	FEB
Housing Benefit	25	DRAFT
Council Tax and NNDR	20	OCT

Capital Programme	20	NOV
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Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Benefit Fraud	25	SEPT
Enforcement	20	SEPT

Total	210	
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PENSION FUND

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Days	Status
Pensions Administration	20	FEB

Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Clwyd Pension Fund Management	10	FEB
Pensions Investment Management and Accounting	30	FEB

Total	60	
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LEGAL AND DEMOCRATIC SERVICES

Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Electoral Register	10	DEC
Data protection	10	MAR
Land Registration	10	TBA

Total	30	
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HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

Risk Based Coverage

Risk / Source	Risk Area	Days	Status
Council Governance			
CG10	Human Resources Strategy Management	20	TBA

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Days	Status
Payroll & HR System	30	FEB

Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Criminal Records Bureau /Independent Safeguarding Authority	15	CANCEL
Official Establishment	15	NOV
People Strategy: Appraisals	15	TBA
Midland Trent: Phase 2	10	TBA

Total	105	
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INFORMATION AND COMMUNICATIONS TECHNOLOGY

Risk Based Coverage

Risks / Source	Risk Area	Days	Status
Council Governance			
8	ICT Strategy	10	OCT
9a	Information management Strategy	5	OCT
9b	Information Security, Governance and Sharing	30	ONGOING

Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Change Management	20	FEB
Telephony	20	JAN
IT Procurement	15	TBA
Networks	20	OCT
Systems Development	15	ONGOING

Total	165	
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Lifelong Learning

Risk Based Coverage

Risks / Source	Risk Area	Days	Status
Council Delivery			
CD10a	Leisure Strategy	5	ONGOING

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Days	Status
Grants – WAG requirement to review specific grants	10	ONGOING
Funding formula and 6 th form allocations	5	TBA

Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Schools Budgetary Control	20	SEPT
Leisure Centres - operation	20	DRAFT
Youth & Community	10	SEPT
Records Management (EMP)	10	FEB
Libraries	20	SEPT
ICT Unit	15	OCT
Control Awareness Sessions New Heads and Governors	10	ONGOING
Develop audit presence on schools infonet	5	NOV

Schools Audits

Primary School Audits	57	ONGOING
Secondary School Audits	30	ONGOING
Special School Audits	10	ONGOING

Total	227	
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COMMUNITY SERVICES

Risk Based Coverage

Risk / Source	Risk Area	Days	Status
Council Delivery			
CD12c	Housing Repairs and Maintenance Service operational controls:	25	TBA
	Use of Vans	5	WIP
CD 23	Children out of county care & education	15	TBA

Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Contract Monitoring	6	TBA
Taxis	15	WIP
Commissioning Legal Services	15	WIP
Humanitarian Response Planning	20	NOV
Complaints Procedure (Social Services)	10	TBA
Cash Control	10	TBA
Re-letting Empty Properties	10	SEP
Rental Income	15	DEC

Total 146

ENVIRONMENT

Risk Based Coverage

Risks/ Source	Risk Area	Days	Status
Community Leadership			
CL08	Climate Change and flood risk management.	5	TBA
Council Delivery			
CD02	Street Scene	30	TBA
CD06	Transport arrangements for service users.	15	DRAFT
27b	Waste Management	20	TBA
Operational			
	Planning	20	MAR
	Follow up of PWC Fleet Management	5	WIP
	Section 106 agreements	25	WIP

Advisory Input and Other Internal Audit Coverage

Topic	Days	Status
Communities First	20	WIP
Highways	20	WIP
AD Waste	20	TBA
North Wales Waste Treatment Project	20	NOV
Environmental Information	10	WIP

Total 210

Other Internal Audit Coverage

	Days
Strategic Audit Planning	20
Liaison with External Audit	10
Liaison with Directorates and other audit groups	30
Preparation and attendance at audit committees	20
Pro-active fraud work and NFI	50
Provision for investigations	175
Provision for ad-hoc requests from Directorates	75
Audit Development	30

Total 410

Overall Total 1703

Amendments to the 2010/11 Audit Plan

Amendments since the last committee meeting

Audits added to the plan

Housing Benefit – Internal audit have conducted testing on housing benefit to support the work of the Wales Audit Office.

Payroll overpayments – review of the causes and processes for recovery of payroll overpayments.

Consultancy – an audit has commenced on processes in place for the appointment of consultants.

Lifelong Learning – grant schemes audited in addition to those included in the plan.

TAITH – audit deferred from 2009/10, a review of financial and administrative processes

Audits deferred

Criminal Records Bureau /Independent Safeguarding Authority – Central Government announced that introduction of the Independent Safeguarding Authority has been scrapped.

Other work completed

E Procurement – Internal audit are involved in a working group to develop a 'purchase to pay' system for the authority.

E-Trading – Internal audit are involved on a group established to progress a project for procurement in schools.

Establishment Control – Internal audit are involved in a group to develop the process for establishment control.

Amendments reported to previous Audit Committee meetings

Audits added to the plan

Childrens Services Control of Files – Following a potential Data Protection breach a review of the physical movement of files within Childrens Services has been completed.

Payroll – Further work carried out to provide assurance for year end.

Implementation Status of Limited Assurance Reports issued

	Report Reference	Date Issued	Recommendations			Response Received	Recommendations			
			Category	Made	Previously implemented		Previously deferred	Due By 03.09.10	Imp	NOT Imp
CORPORATE										
Payroll (New System)	CS0020M2	15.07.09	Fundamental	0	0	0	YES	0	0	0
			Significant	4	2	2		1	1	0
FINANCE										
Corporate Grants	CD0220N1	22.10.09	Fundamental	2	2	0	YES	0	0	0
			Significant	9	8	1		1	1	0
Procurement	FL0070M1	23.09.09	Fundamental	0	0	0	YES	0	0	0
			Significant	9	5	4		4	0	4
LEGAL & DEMOCRATIC										
Employment Practice Codes	LD0220N1	25.03.10	Fundamental	3	0	3	YES	3	0	3
			Significant	25	2	23		13	7	6
HUMAN RESOURCES										
Subsistence & Allowance	CS0130M1	04.02.10	Fundamental	1	0	1	YES	1	0	1
			Significant	3	0	3		3	0	3

	Report Reference	Date Issued	Recommendations			
			Category	Made	Previously implemented	Previously deferred
Payroll	HR0155N1	18.06.10	Fundamental	0	0	0
			Significant	10	1	9
LIFELONG LEARNING						
Cleaning Services	EC0080L1	14.08.08	Fundamental	0	0	0
			Significant	10	9	1
C. Hall Contract Cleaning (Follow Up)	ED0086H1	24.05.06	Fundamental	2	1	1
			Significant	5	3	2
COMMUNITY SERVICES						
Rent Recovery & Enforcement	CH0060M1	7.5.09	Fundamental	0	0	0
			Significant	5	1	4
Charges On Clients Properties	CS0130N1	01.04.10	Fundamental	1	1	0
			Significant	8	5	3

Response Received	Recommendations		
	Due By 03.09.10	Imp	NOT Imp
YES	0	0	0
	7	5	2
YES	0	0	0
	1	0	1
YES	1	1	0
	2	1	1
YES	0	0	0
	1	0	1
YES	0	0	0
	3	1	2

	Report Reference	Date Issued	Recommendations			Response Received	Recommendations			
			Category	Made	Previously implemented		Previously deferred	Due By 03.09.10	Imp	NOT Imp
			Fundamental	0	0	0	YES	0	0	0
			Significant	16	14	2		2	2	0
ENVIRONMENT										
TASK	EN0040N1	16.02.10	Fundamental	0	0	0	YES	0	0	0
			Significant	5	4	1		1	0	1
Business Enterprise Units	EN0010N1	25.05.10	Fundamental	0	0	0	YES	0	0	0
			Significant	8	1	7		4	1	3
Public Transport	ER0030M1	20.03.09	Fundamental	0	0	0	NO	0		
			Significant	5	3	2		2		
Data Management – Public Protection	EN0080N1	04.03.10	Fundamental	4	0	4	YES	1	1	0
			Significant	18	0	18		5	0	5

	Report Reference	Date Issued	Recommendations				Response Received	Recommendations		
			Category	Made	Previously implemented	Previously deferred		Due By 03.09.10	Imp	NOT Imp
Technology Forge	EN0100N1	13.04.10	Fundamental	0	0	0	YES	0	0	0
			Significant	5	0	5		2	0	2
Taxi Contracts	EN0090N1	18.12.09	Fundamental	0	0	0	NO	0	0	0
			Significant	8	7	1		1		
Affordable Housing	EN0120N1	24.02.10	Fundamental	0	0	0	YES	0	0	0
			Significant	15	2	13		1	0	1
Public Protection – Income From Fees	EN0130N1	18.12.09	Fundamental	0	0	0	YES	0	0	0
			Significant	5	4	1		1	0	1

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	CS0020M2
	Payroll (New System)

Directorate:	Corporate Strategy
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DATE OF AUDIT: 15th July 2009

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
14	<p>The honoraria policy was issued on the Infonet during December 2006. The policy includes all relevant information regarding honoraria and acting up payments including the requirement for the honoraria to cease if the employee is absent for more than seven consecutive days.</p> <p>Testing results indicate that the Principal Human Resources Officer has not always been made aware of extensions to honoraria payments for non</p>	S	<p>Recommendation:</p> <p>All honoraria payments for non school based staff should be routed via the Principal Human Resources Officer. Payroll payments should only be made upon receipt of information authorised by the Principal Human Resources Officer. A procedure should be developed whereby absences (other than annual leave) are monitored for those officers receiving honoraria payments and payroll staff are promptly informed if honoraria payments should cease.</p>	Feb 2010	1	July 2010	<p>All honoraria payments are routed via Principal HR Officer.</p> <p>Currently we do run a monthly report showing those employees in receipt of SSP and also in receipt of honoraria – we identify those employees who have been absent for more than 7 days and cease honoraria payments.</p> <p>The policy is being reviewed (Mike Harriman) and a communications will go to all employees in receipt of honoraria to clarify the process for ceasing payments due to sickness absence.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>school based staff. We have been advised that the Principal Human Resources Officer intends to communicate with payroll via email (rather than paper memo), regarding honoraria issues, to mitigate the risk of data loss and ensure an adequate audit trail for the authorisation of honoraria payments</p> <p>One occasion has arisen where an employee had a period of sickness absence over a seven day consecutive period and the honorarium continued.</p> <p>Many honoraria payments exceed 12 months.</p>		<p>A maximum time limit should be placed on the arrangement leading to the honoraria payment before job maintenance would be affected.</p> <p>Management Comment::</p> <p>Mike Harriman needs to be involved with this</p> <p>Duration should not exceed 12 months. Monthly report is now provided to MH from systems admin</p> <p>Short term measure - suggestion is that Line Managers advise payroll should member of staff be absent > 7 days other than annual leave. This could be included in acknowledgement letter issued by MH to Line Manager. Longer term – Trent could be developed to flag these absences.</p>			August 2010	Honoraria payments have now been consolidated for those employees who have been in receipt for longer than 12 months. Employees have been notified.

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	CD0220N1
	Corporate Grants

Directorate:	Corporate
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DATE OF REPORT: 22nd October 2009

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
2	Training when given will be carried out by the Principal Accountant (Community Services) and will be provided initially to finance users. The format of the training has yet to be decided but is likely to be informal.	S	<p>Recommendation: Training should be given to all users of the system.</p> <p>Management Comment: Already agreed. Users will not be given access to the system unless training has been received by them.</p>	28th February 2010	1	09/02/2010	Training commenced on the 9 th February 2010. The requirement for training is ongoing as new people are given access or refresher training is required.

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	FL0070M1
	Procurement

Directorate:	Finance
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DATE OF AUDIT: 23rd September 2009

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1 a)	<p>There is no list in place in each Directorate detailing relevant officers properly authorised to carry out the Council's contract functions and no directorate contact officers responsible for matters relating to procurement.</p> <p>Therefore there are no designated officers with clearly defined roles and responsibilities.</p> <ul style="list-style-type: none"> • Ideally these officers should : be able to provide general advice • be sufficiently trained 	S	<p>Recommendation: There should be a list of officers compiled by Heads of Service who are properly authorised to carry out the Council's contract functions in each directorate.</p> <p>Management Comment: All Heads of Service will be asked to provide an up to date list of Officers authorised to carry out contract functions.</p>	30 Sept 2009	2	<p>To be co-ordinated within the e-procurement project plan. A draft outline plan will be drawn up within the next couple of months and will be refined and updated on the appointment of the Project Manager. A Governance</p>	<p>The actions as they are described here are unlikely to achieve the higher level procurement objectives, which in this specific area are better managed by Procurement Professionals operating within the CPU. There appears to be over 200 people that could be named as having some degree of responsibility relating to procurement. Consequently the information is very difficult for the Directorates to gather and equally as difficult for us to know what to do with it if we ever received it.</p> <p>Therefore would suggest that a fewer number of individuals are targeted, ie 4 per Directorate that would be easily identified and subsequently contacted to provide information as to the position within their Directorate.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<ul style="list-style-type: none"> • possess the relevant experience. • have their roles and responsibilities for procurement clearly defined and communicated across the Authority • record how many staff are involved in the procurement process and document the systems in place • consider if there is duplication of effort and whether efficiencies could be achieved • record what management information is produced to monitor the efficiency of purchasing arrangements in their Directorate and aim to ensure that segregation of duties 					<p>Structure will be provided by the formation of a Project Team and a high level Project Board Initial outline plan – end July 2010</p>	<p>As part of the E-Procurement initiative we intend to gather information from Directorates, relating to “Procurement” responsibility, ie those committing and authorising expenditure. These actions will form part of an agreed Project Plan with timed deliverables reported to the E-Procurement Project Board within a defined Governance structure.</p> <p>It is the intention subject to CMT approval to amend the CPR’s introducing a mandatory threshold figure of £100,000, reducing over time to £40,000, where all contracts of that value will require to be fully supported by Procurement Professionals. This approach provides an effective means to improve procurement.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<ul style="list-style-type: none"> • is present within the purchasing and procurement procedures. <p>Without such officers the risk/implication is that it could lead to:</p> <ul style="list-style-type: none"> • Inconsistent practice and duplication of resource, poor value for money and non-achievement of agreed objectives. • Inconsistent practice and breach of EU Directives and legislation. • Policies and procedures being circumvented resulting in the procurement objectives not being achieved. 					January 2011	This objective is still valid but the means to achieve it has changed due to the implementation of the e-procurement initiative which will radically change the way in which the Authority authorises its ordering and contract functions. Consequently the timetable for implementation of this objective will merge with the e-procurement project timetable.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
2	<p>Financial Procedure Rule 9.18 states that "Chief Officers will: (a) Ensure that only those staff authorised by him or her sign orders, and maintain an up-to-date list of such authorised staff, including specimen signatures, identifying in each case the limits of their authority". However, such a list only exists in the Environment Directorate (however, this does not include specimen signatures).</p> <p>Purchase order books are obtained from Business Support. Officers of all levels from all Directorates collect and sign for these books. The books are sequentially numbered and as such it is possible to attribute and order book with a particular section.</p>	S	<p>Recommendation:</p> <p>An up-to-date list of staff eligible to authorise orders including specimen signatures, identifying in each case the limits of their authority should be held in each Directorate or centrally within the Authority.</p> <p>To aid compliance, reference should be made to the supporting FPR 9.18 on the Purchase Order Books.</p> <p>Internal check should be in evidence on all Purchase Orders.</p> <p>The budget holder should authorise Purchase Orders.</p> <p>Management Comment::</p> <p>Each Director to be asked to compile an up to date list of authorised officers and limits to their authority. At the same time Directors will be requested to ensure that internal checks are made on all purchase orders and that there is a requirement for the budget holder to provide authorisation.</p>	30.09.09	2	<p>Outline plan – end July 2010</p> <p>January 2011</p>	<p>As above all of this will be provided as part of the Project Plan as part of the E-Procurement Initiative. The Project plan would aim to rationalise the numbers considerably but either way the e-procurement system will provide very strict controls.</p> <p>As above.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3	CPR 1.1 states "Heads of Service must keep a register of all contracts completed". However, no such register of contracts completed is in place all.	S	<p>Recommendation:</p> <p>Each Head of Service must keep a Register of all Contracts completed. (CPR 1.1)</p> <p>To ensure that there is consistent practice across the Authority consideration should also be given to prescribing a specific format for the capture of this information.</p> <p>Management Comment:</p> <p>The contact officer group referred to in recommendation 1 will meet to consider adopting a threshold for contracts that need to be entered on a corporate register. This should relate to all contracts entered into by all Directorates and Corporate Services.</p>	30.10.09	2	End August 2010	No Compliance on this. The aim will be to gather this information from the nominated 4 per Directorate officers. We would also have to provide a useful threshold contract figure.
						January 2011	See point 1a)

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
5	<p>Contract Procedure Rules are in place to guide staff making a purchase, entering into and or extending contracts on behalf of the Council.</p> <p>The Contract Procedure Rules were last updated in December 2008.</p>	S	<p>Recommendation:</p> <p>In order for staff to comply with the Contract Procedure Rules. Consideration should be given to inserting a paragraph into the Contract Procedure Rules stating that non compliance may result in disciplinary action against the officers concerned.</p> <p>Training should be given by the Central Procurement Unit on the application of the Contract Procedure Rules and Procurement issues generally. (However, such training was carried out via a series of "Contract Procedure Road shows" in 2007).</p> <p>Contract Procedure Rules should be simplified.</p> <p>Management Comment:</p> <p>This recommendation will be implemented in the next review of Contract Procedure Rules to clarify that non compliance could result in disciplinary action.</p>	31.12.09	2	<p>End July 2010 subject to CMT approval to other key amendments</p> <p>January 2011</p>	<p>A review is currently being undertaken and certainly with a view to simplification.</p> <p>The suggested paragraph has been drafted and will be inserted in the appropriate place within the revised CPR's and also in a very prominent position on the revised PASS system. CMT commented on the draft changes to the CPR's (June2010)</p> <p>Now need to consult with Directorates to agree members</p> <p>Procurement Training is available on request. However by promoting such training conveys the message that the Council is content that procurement activity is controlled and managed within the Directorates. I would propose that the provision of training remains but only on request.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
			<p>The contact officer group referred to in paragraph 1 will meet to consider the most appropriate training methods to complement the PASS system which provides advice and guidance in relation to procurement procedures.</p> <p>The contact group will also consider how best to deal with the recommendations to simplify CPRs. This might be by clearer reference to the PASS guidance, the production of a flow chart or an Executive summary of CPRs.</p>				

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	LD0220N1
	Employment Practice Codes

Directorate:	Legal & Democratic
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DATE OF AUDIT: 25th March 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1.2.3	The application form states that short listed candidates will be asked to complete a "Disclosure of Criminal Convictions" form with disclosure being sought in the event of a successful application. There is inconsistency between the application form and CRB policy Disclosure forms (along with a request for subsequent disclosure) are only completed by candidates when they have accepted posts which are deemed within the CRB policy to require disclosure. No disclosure forms are	S	<p>Recommendation:</p> <p>The procedure for obtaining information relating to criminal convictions should be reviewed to ensure consistency is achieved between the CRB policy and application form.</p> <p>Management Comment::</p> <p>Application form is due for review and recommendations will be incorporated in scope</p>	01.07.10	2	31.12.10	<p>Application process and form has been reviewed and a report relating to the changes to the application form has been created and is currently awaiting approval before proceeding further – due 1 November 2010.</p> <p>CRB process is also being reviewed with the intention of ensuring consistency between the CRB policy and application form.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>completed at short listing or offer stage.</p> <p>The CRB policy (5.2) states that anyone applying for a post should disclose details of any convictions (including spent) and cautions, reprimands or warnings. There is no section on the application form for this to occur, details are only obtained upon receipt of the CRB results</p>						
1.2.6	<p>On line application forms are password protected on line; we have not been informed where they are held upon receipt. Postal applications are sent to home address, upon receipt applications are opened in the HR area but are not kept in a locked drawer. Not all managers have been provided with data protection training.</p>	S	<p>Recommendation: Applications should be held securely upon receipt</p> <p>Management Comment: It has been recognised that we need to produce guidance around document storage and retention</p>	1.07.10	2	<p>1.12.10</p> <p>31.12.10</p>	<p>In progress, filing cabinet obtained to store applications securely, draft guidelines have also been written by Service Centre Manager.</p> <p>Waiting approval of draft guidelines prior to roll out</p> <p>A comprehensive document is being drafted to provide guidance around document storage and retention. This has been extended this to include clear desk guidelines (to be applied within HR Operations offices) and reference disclosure guidelines.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1.7.1	<p>Recruitment records are included within the County Council's retention schedule. Currently paper records are held centrally for seven months. We have not been informed how long accredited information is retained. On line applications are not deleted. No review has been undertaken to ascertain whether the current retention periods equate to those detailed in the County Council retention schedule.</p> <p>Recruitment records should not be held beyond the statutory period in which a claim arising from the recruitment process may be brought unless there is a clear business reason. On line applications are therefore being held in excess of the statutory period.</p>	F	<p>Recommendation: Retention periods for all records within HR should be reviewed to ensure that they comply with the County Council retention schedule.</p> <p>Management Comment: See 1.2.6 regarding guidance</p>	01.07.10	2	31.12.10	A draft document has been developed relating to retention guidelines for all records held within HR. We are currently seeking advise from legal dept re retention of contracts of employment.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1.7.6	Personal information received during recruitment is processed by HR and other staff (for vacancies below SO1 grade). Information held by HR is retained in unlocked filing cabinets in a locked room. We have not been informed of to the security procedure with regard to records held at a local level.	S	<p>Recommendation:</p> <p>The procedure for retaining and destroying records locally should be documented and disseminated to managers.</p> <p>Management Comment::</p> <p>See 1.2.6 regarding guidance</p>	01.07.10	2	31.12.10	<p>A comprehensive document is being drafted to provide guidance around document storage and retention. This has been extended this to include clear desk guidelines (to be applied within HR Operations offices) and reference disclosure guidelines.</p> <p>I would recommend that ALL records/documents are returned to HR and then disposed of by HR in the usual manner.</p>
2.2.2	<p>A system is in place which secures cabinets, access controls and passwords to ensure that staff can only gain access to employment records where they have a legitimate business need to do so.</p> <p>The security of employment records could be tightened. Prior to interview application forms are held centrally in an unlocked cabinet although the room is secure.</p>	S	<p>Recommendation:</p> <p>Review the security arrangements in place and update where required.</p> <p>Management Comment::</p> <p>Change key code to filing room and restrict access to payroll/service centre and change code regularly and include in guidance</p>	01.07.10	1	complete	<p>Key code to filing room has been changed and all evidence of the code has been removed from public view.</p> <p>Process in place to ensure key code is changed regularly and Service Centre monitor distribution of files.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	A review of the filing room where all staff files are held should be carried out to ensure the tightest of control around the room and the files						
2.2.5	Employment records that are taken off site may not be fully controlled. Access logs are not kept and files are not easily traceable. Security guidelines for staff are not in place.	F	Recommendation: A procedure should ensure the safeguarding of employment records once they are removed from their normal place of security. A set of guidelines should be in place for all staff to follow and this should be communicated across the organisation. Management Comment:: See 1.2.6 regarding guidance	01.07.10	2	31.12.10	Document has been produced by Service Centre Manager – waiting approval at next EPC meeting.
2.3.3	At present there is no policy relating to the disclosure of information from sickness or injury records about an identifiable worker's illness, medical condition or injury where there is a legal obligation to do so	S	Recommendation: A decision relating to the disclosure of information from sickness or injury records about an identifiable worker's illness should be made and should be documented and disclosed to Managers and staff within Human Resources.	01.07.10	2	31.12.10	We recognise the need to take further advise around disclosure of information from sickness or injury records about an identifiable worker's illness.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
			Management Comment: See 1.2.6 regarding guidance				
2.7.3	Requests for information other than for data matching purposes have no guidelines. For example information requested by the Police.	S	Recommendation: Guidelines for all HR staff in the disclosure of staff confidential information should be introduced. Staff should understand the rules of disclosure and consistency should apply. Management Comment: See point 2.2.4	01.07.10	1	Completed	All HR & OD staff have undergone data protection training. Online training and completion of 3 x 30 minute modules have been completed. Guidelines have been written and shared with the wider HR team re disclosure of confidential information.
2.8.1	A corporate system is in place. If a subject access request is received then a framework for responding is used.	S	Recommendation: Ensure that the employment practices code is met with regard to workers access to information about themselves. Management Comment: Write guidelines and agree process	01.07.10	1	Completed	Guidelines have been written and an agreed process is to be disseminated throughout HR and OD and then communicated to the rest of the Organisation

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
2.9.1	A referencing policy does not exist. Therefore individual Managers may be providing different information.	S	<p>Recommendation: A policy should be introduced which clearly states who can provide corporate references, in what circumstances, and the policy that applies to the granting of access to them.</p> <p>Management Comment: Create a reference/disclosure policy See 1.2.6 regarding guidance re access</p>	01.08.10	2	31.11.10	Draft guidelines have been written – waiting approval
2.10.1	A disclosure policy does not exist.	S	<p>Recommendation: Implement a disclosure policy to tell staff who are likely to receive requests for information about workers how to respond, and to where they should refer requests that fall outside the policy rules.</p> <p>Management Comment: Create a reference/disclosure policy</p>	01.08.10	1	Completed	Incorporated within 2.8.1

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
2.11.4	Where staffing information is supplied to trade unions in the course of collective bargaining, ensure the information is such that individual workers cannot be identified.	S	<p>Recommendation:</p> <p>Ensure that the staff information supplied to trade unions in the course of collective bargaining is anonymised and staff can not be identified.</p> <p>Management Comment::</p> <p>Review arrangements for supply of info re: collective bargaining</p>	1.7.10	1	Completed	Issue of information to the Trade Unions noted by single Status team and this will be taken into consideration at all stages of the Single Status project.
3.1.7	The Email and Internet monitoring policy and the CCTV Code of Practice state that the information will only be used for the specific purposes detailed in the policy. In vehicle tracking policy details the uses for the monitoring.	S	<p>Recommendation:</p> <p>The Email Monitoring and CCTV Policy should include a statement regarding the fact that information may be used for a different purpose if it is either "Clearly in the individual's interest to do so" or "reveals activity that no</p>	1 June 2010	1	Completed	The E-Mail and Internet Usage Policy has been amended as per recommendation.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>We have been advised that the Email monitoring information captured has not been used for any other purpose than those defined in the policy. The policy does not include a statement to allow this to occur where it would be unreasonable for the Employer to ignore it.</p> <p>CCTV images have been used within employee disciplinary hearings. The CCTV policy does not include a statement to allow monitoring to be used for other reasons where it would be unreasonable for the Employer to ignore it.</p>		<p>employer could reasonably be expected to ignore" (Employment Practices Code 3.1.7). The policy should also determine who can authorise the information for a new or different purpose.</p> <p>Management Comment:: The Information Security Manager will amend the E-mail Monitoring Policy. The Data Protection Team will advise CCTV Managers of appropriate wording for the CCTV policy.</p>				
3.2.9	Job applications which allow for on-line application do not include the information relating to the fact that emails are subjected to routine monitoring.	S	<p>Recommendation: The email which acknowledges web applications should include the monitoring information.</p>	June 2010	3		The on-line job application forms are not sent via e-mail and therefore no monitoring takes places.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	On-line job applications are acknowledged by an automatic routine. This does not include the information relating to emails being monitored.		Management Comment: The practicalities of implementing this recommendation will be considered.				
4.1.1	Collection of information about workers' health is only carried out by Occupational Health Professionals. All non medical staff, working in the Occupational Health Unit (OHU) sign a confidentiality agreement every year as part of the annual appraisal process. The translation Unit also sign confidentiality agreements when documents are sent for transcription (only affects one school).	S	Recommendation: Management should be issued with a procedure regarding the retention of information relating to workers' health. Management Comment: Create Procedure relating to Data Protection Act and Employment Practices Code	30.6.10	2	31.12.10	Procedure relating to Data Protection Act and Employment Practices code to be developed.
4.3.5	The retention of medical information is contained within County Council's retention schedule; this has not been recently reviewed. Any information obtained during	F	Recommendation: The OHU should review the information held to ascertain compliance with the records management system to ensure it is current and accurate.	1.6.10	2	31.12.10	Occupational Health will review current practice of storage and retention of data in OHU

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>medical assessments, which was deemed irrelevant to the current situation, would not be retained.</p> <p>The OHU are not always informed if staff, who have undergone medical assessments at pre-employment stage, do not subsequently take up the post. Information is also retained relating to supply staff who may not undertake any work for the County Council.</p>		<p>HR should liaise with OHU regarding staff appointments to ensure OHU are not retaining information in contravention of the Employment Practices Code and Data Protection Act.</p> <p>Management Comment:: Review current practice of storage and retention of data in OHU</p>				

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

DATE OF AUDIT: 4th February 2010

Project Ref:	CS0130M1
	Subsistence & Allowance

Directorate:	HR & OD
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ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1	<p>The allowance rates for incurred mileage are set nationally and are laid out in the National Agreement. (Green book).</p> <p>The amounts for post entry training are also set nationally and are detailed in the National Agreement.</p> <p>All other expenses including fares and subsistence are set locally. At present there is no policy or guidelines in which to follow. The most recent rates for hotel use is dated February 1997 and were written by the then HR Director.</p> <p>They have not been reviewed or increased during this eleven year period. Of the four Directorates examined only</p>	F	<p>Recommendation</p> <p>A policy or guidelines should be drawn up for staff to use prior to completing travelling and subsistence allowance claims. The policy should include clear guidelines on all rates of expenses, the process of completing the claim forms and other relevant information. The policy should be widely available to all staff and should be reviewed at least annually. This will ensure consistency and uniformity across all Directorates.</p> <p>Management Comment</p> <p>A policy / guidelines can be produced by Human Resources.</p>	31.07.09	2	<p>End of December 09</p> <p>31 July 2010</p>	<p>Information relating to current expenses rates, practice across the Council, current written documentation including claim forms have been reviewed. The guidance now needs to be drawn up and circulated across the organisation.</p> <p>Resource has now been allocated to complete this work as a matter of priority. Draft guidelines for expenses have been drawn up by HR and will be circulated for comment by end of June 2010 once advice received from Kevin McSweeney has been incorporated (see below). Review of existing rates including benchmarking has taken place. Proposal to CMT by end of July.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>one Directorate was still using the hotel rates (ASC). Staff from this Directorate are only allowed to claim up to £75.11 basic allowance and up to £85.66 enhanced allowance, (London, Cardiff or Edinburgh). Staff from the other three Directorates were able to claim in excess of this if the claim had been duly authorised. (e.g. Hotel costs, C&H - £124.50, E&R- £110, Finance - £175.00.)</p> <p>The Auditor also found items of expenditure that did not relate to Travelling and Subsistence, that had been paid via the employee's claim form.. For example, one member of the E&R Directorate had claimed for coffee expenses and another had claimed for a hot water geezer. There was one instance where four members of the same office had incurred subsistence allowance, although just one member of</p>					30 th November 2010	Expenses Guidelines were drafted and circulated for comment and feedback by 9 th July 2010. Clarity now being sought regarding elements of proposed guidelines and potential impact of Flintshire Futures programme. Contents of guidelines may be amended as a result. To be reviewed as FF programme is developed. HR to review position again before end of November.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>staff had claimed the subsistence rates on the other staff's behalf.</p> <p>Another member of staff was found to be using public transport to travel to local meetings within the County although they are paid essential car user allowance for providing their car for work.</p>						
3	<p>Within the E&R Directorate it was not always the line Manager that had authorised the claim. The reason given for this relates to the line Managers not having an authority code to be able to authorise claims.</p>	S	<p>Recommendation</p> <p>Only authorised line Managers should be authorising claim forms relating to their immediate staff. Authorising Officers should have a reasonable knowledge of the journeys made or subsistence claimed, prior to endorsing the travel claim form.</p> <p>Management Comment</p> <p>To be included in policy / guidelines</p>	31.07.09	2	<p>As above</p> <p>31st July 2010</p> <p>30th November 2010</p>	<p>As above – recommendations re authorisation accepted and will be incorporated into written guidance.</p> <p>As above – recommendations re authorisation accepted and have been incorporated into draft written guidance.</p> <p>Guidance drafted but some elements may be in scope of Flintshire Futures programme. HR to review position again before end of November.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
4	<p>In the main receipts had been obtained for items of expenditure. A small proportion of claims did not have a receipt.</p> <p>One claim relating to hotel accommodation did not have a receipt attached but a copy of the staff members credit card statement. This should not have been accepted.</p> <p>If receipts are not submitted and the Inland Revenue were to pick this up then the Council could be penalised.</p>	S	<p>Recommendation</p> <p>The claims forms should always provide the necessary receipts for incurred costs, prior to being processed.</p> <p>Management Comment</p> <p>To be included in policy / guidelines</p>	31.07.09	2	As above	Recommendation accepted.
						31 July 2010	Draft guidance includes clear advice regarding receipts including explanations of what is needed and why. Advice taken from Kevin McSweeney regarding HMRC requirements for inclusion in guidelines.
						30.11.10	As above
5	<p>Receipts for fuel usage usually contain all the requirements asked for. Receipts for subsistence claims do not always contain the Revenue & Customs requirements.</p> <p>Also, when certain types of subsistence are claimed for, the member of staff should separate and identify the V.A.T. onto the claim form. At</p>	S	<p>Recommendation</p> <p>As part of a new policy which should be written, the Senior Accountant (tax expert) should be asked for his advice on the specific requirements relating to Revenues & Customs requirements. This can then be incorporated into the new policy.</p>	31.07.09	2	As above	Recommendation accepted. A Policy and Guidelines are to be drafted. A timeline to be provided once this is in scope.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	present this is not carried out. The Senior Accountant (tax expert) should be contacted to give further advice to individuals.		Management Comment To be included in policy / guidelines			31 July 2010	Resource has now been allocated to complete this work as a matter of priority. Draft guidelines for expenses have been drawn up and will be circulated for comment by end of June 2010. Draft guidance includes clear advice regarding receipts including explanations of what is needed and why. Advice taken from Kevin McSweeney regarding HMRC requirements for inclusion in guidelines.
						30.11.10	As above

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	HR0155N1
	Payroll

Directorate:	HR
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DATE OF AUDIT: 18th June 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1a)	National insurance numbers must be in the parameter AANNNNNNA. There is no check to establish (once a number adheres to those parameters) that it is a valid number for a specific individual. It is possible for NI numbers to be entered more than once or not at all. All records were tested and no duplicate national insurance numbers were found however approximately 14 staff had no national insurance number assigned. Dates of birth can be entered from 1900 - 2100.	S	<p>Recommendation: The supplier should be requested to consider introducing a requirement that would prevent a national insurance number being entered more than once.</p> <p>Management Comment:: The supplier will be requested to consider the recommendation.</p>	July 2010	1	23.08.10	Suggested via Midland HR 's Ideas System

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
2a)	<p>The following issues have been raised:</p> <p>The audit sample revealed that seven positions (from a sample of eleven) did not have the corresponding establishment control forms. We have been advised that these positions have been created following receipt of a new starter form in the HR Service Centre thus avoiding the establishment control procedure. We have been informed that since the sample was extracted, the HR Service Centre staff have been verbally advised to return any new starter forms which do not contain a position reference. Previously, HR Service Staff have entered new positions (upon receipt of a new starter form - omitting establishment control as described above) without the need to assign a position reference number. A report has been extracted which lists all positions on the system without position reference numbers. There are just</p>	S	<p>Recommendation:</p> <p>The procedure for appointing all staff should be defined with regard to establishment control.</p> <p>Management Comment::</p> <p>Guidelines being developed for managers, to be published on Infonet.</p>	July 2010	2	December 2010	<p>An Establishment control Project has been underway since July 2010 – we are currently reviewing the forms , processes and guidelines for managers.</p> <p>In the interim existing forms and processes have been highlighted on the infonet by the creation of a new section called “Your Recruitment” – this will enable managers to access all forms in one place.</p> <p>Data cleanse work relating to the establishment is due to take place in October with support from finance officers.</p> <p>New electronic establishment control forms have been designed and IT resource has been identified to work on this during September/October.</p> <p>We hope to roll out the new process, forms and guidelines with effect from November.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>under 400 of these positions referring to a variety of job titles including supply teachers, actors, supply cashiers and one-off payments.</p> <p>We have subsequently been advised that certain groups of staff (e.g. facilities services and actors), are currently outside the establishment control procedure and therefore establishment control forms will not have been completed for these groups.</p> <p>It has also been noted that 50%+ staff are recorded within the system as status "not recorded" (ie it has not been determined whether these positions are established or non-established). We have been advised that directorates have been contacted to determine these statuses.</p> <p>Thirteen one-off payments were also noted which do not include end dates.</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>We were advised that relief staff have been originally assigned at post level, some have now been given position numbers (approx. 70 in Holywell Leisure Centre).</p> <p>It was noted that a report is being run to ascertain employees who have not received pay for some time.</p> <p>Establishment information is included within quarterly workforce information reports. This information contains positions by directorate and a headcount per directorate. Reports are currently sent to Directors and have recently been sent to the Heads of Service. It is currently unclear as to whether all positions are included within these figures (e.g. the positions without reference numbers and one off payments with no end date). These issues could result in inaccurate establishment figures impacting on directorate's management of establishment control.</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>Further reports are due to be produced relating to each managers employees pay and allowances. This will allow managers to ascertain whether all staff are valid and have the correct remuneration.</p> <p>A Project definition workshop was held on 26.2.10 to consider the establishment control issues. The draft project brief was discussed which included the objectives and scope of the project. The brief acknowledged that there is a lack of clarity with regards to establishment control with processes unclear. It also highlighted a lack of management understanding and buy in with regard to the maintenance, processes and control of the establishment. The ability to support financial control over pay expenditure was questioned due to the lack of control over the establishment.</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3	An issue log and risk log are maintained together with a project plan to address the issues. One of the issues highlighted related to the qualification in the annual auditor certification of contributions paid over to the department of children schools and families. An error was highlighted in the process for deducting teacher's pensions contributions. This has subsequently been rectified and a new procedure has been introduced.	S	<p>Recommendation:</p> <p>Copies of the issues log should be provided to Internal Audit on a regular basis particularly where critical control issues have been highlighted. Where controls are revised as a result of the issues Internal Audit should be consulted prior to implementation.</p> <p>Management Comment:</p> <p>Internal Audit will be included in the distribution of the Trent Improvement Project's Risk & Issues Logs.</p>	June 2010	1	18.06.10	Internal Audit included in mailing list.
4a)	The timesheet information examined in the sample (19 employees) all agreed to the information held in the spreadsheets which were subsequently submitted via the fast input procedure	S	<p>Recommendation:</p> <p>The payroll provider should be requested to consider introducing a requirement within the system to prevent expenses claims being recorded more than once for the same person where the amount and/or the period being paid are the same.</p>	July 2010	1	23.08.10	Suggested via MlandHR's Ideas System

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
			Management Comment: The supplier will be requested to consider the recommendation.				
4b)	Claims for mileage are entered directly into the payroll system. The system does not provide any confirmation of the details entered thus preventing any checks being carried out on the mileages entered.	S	<p>Recommendation: The payroll provider should be requested to consider introducing a facility in the system to enable mileage claim data input to be verified.</p> <p>Management Comment: The supplier will be requested to consider the recommendation</p>	July 2010	1	23.08.10	Suggested via MidlandHR's Ideas System
6	The reconciliation process for the interface with general ledger was reviewed. Evidence was seen of a full reconciliation with the general ledger. An ongoing error concerning an imbalance of SMP was noted, this has	S	<p>Recommendation: The file of external creditors provided by payroll to accounts payable should incorporate control totals on the number of records and total value. The total output by payroll should then be agreed to the accounts</p>		1		Completed.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>subsequently been resolved by the system supplier.</p> <p>The procedure for the interface with the accounts payable system does not use control totals to verify information. No check is currently carried out to ensure that the payment data output by the payroll system is the same as that uploaded into the accounts payable system. A text file is provided (e-mail attachment) by payroll to IT operational services who then upload the data into accounts payable (APJ920). This job is run and provides a control total of number of vouchers and total value of all transactions. A sample of three months text files was selected; these were totalled and reconciled with the amounts and number of records updated in accounts payable. All were correct.</p>		<p>payable control total produced following the APJ920 run.</p> <p>Management Comment: Control totals are provided by System Management, who since April 2010 have confirmed a total value, the number of records will be stated with immediate effect.</p>				

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
8a)	<p>The procedure for entering timesheets using the fast input process has several manual steps involving file transfer, file conversion and file verification routines.</p> <p>The level of manual intervention for both the fast input process and other feeders systems gives potential for errors. Additionally there is direct involvement of development staff in the validation of data and editing of live files.</p> <p>Eleven staff members' timesheets were reconciled from the fast input spreadsheets to payslips. One related to an overpayment which was subsequently corrected the following month.</p> <p>Initial discussions have been held with development staff to explore the feasibility of data being input and validated directly. This would be feasible if an intermediate database</p>	S	<p>Recommendation:</p> <p>Consideration should be given to developing a system that allows data to be input and validated by the payroll system with the minimum of manual intervention and allows for the use of control totals.</p> <p>Management Comment:</p> <p>Viability of recommendation to be considered.</p>	August 2010	1	23.08.10	No alternative to current methods currently available.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>were to be used to capture and validate the data.</p> <p>The control of feeder system data is by a manual control list of expected systems. The receipt of the data can be accepted from specified individuals.</p> <p>Control totals are not used for acceptance and processing of data received from feeder systems. The feeder data is input by a direct interface with the payroll system on a record by record basis and does not provide a total of all data accepted eg. by number of records or values. If the data does not meet the requirements of the payroll then it is rejected eg. employee reference is invalid.</p>						

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	EC0080L1
	Cleaning Services

DATE OF AUDIT: 14 th August 2008

Directorate:	Lifelong Learning
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ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
10	The Operational Manual has not been issued to all cleaning staff. It is stored within the Cleaning Services section and is available to staff should they come into the section to view it.	S	<p>Recommendation</p> <p>The Operational Manual should be made available to all staff and training should be provided on its content.</p> <p>Management Comment</p> <p>Draft completed by 14/07/08 once approved will be issued to all sites.</p>	01/10/08	2	Revised date 1 01/04/09	A total new package of information and monitoring is being developed
						Revised Date 2: 01/07/08	95% complete
						Revised Date 3: 01/01/10	Operational manuals not yet issued to staff. Priority
						Revised Date 4 1/07/10	Operations manuals not yet issued to the team. The Cleaning manager is reviewing the manual with H & S and investigating the BISC Standard of working. This Standard requires training at all levels.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
						Revised date 5 1/02/11	Operation Manager – Risk Ass & inventory have been sent to H & S for approval. The manual is in a draft format awaiting approval. BISC training to be scheduled awaiting a new Cleaning supervisor start date by the end of the year.

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

DATE OF AUDIT: 24th May 2005

Project Ref:	ED0087J1 (ED0086H1)
	CONTRACT CLEANING - FOLLOW UP

Directorate:	LIFELONG LEARNING
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ACTION PLAN

Para.	Original Test Result/Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1	A written policy should be produced which clearly defines responsibility for the organisation, delivery, management and monitoring of the services provided.	F	<p>Recommendation: A written policy should be produced which clearly defines responsibility for the organisation, delivery, management and monitoring of the services provided.</p> <p>Management Comment: Currently the post of Manager has been used as a budget saving. Will be done when Cleaning Manager is appointed</p>		1		Comment Received: October 2006 Cleaning Manager post not yet replaced
						Revised Date: October 2007	Comment Received: June 2007 Cleaning Manager post not yet replaced Revised Implementation Date: October 2007
						Revised Date 2: March 2008	Comment Received: November 2007 The post of Cleaning Manger has yet to be filled Revised Implementation Date: March 2008

ACTION PLAN

Para.	Original Test Result/Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
						Revised Date 3: September 2008	Comment Received: June 2008 We have recruited an Interim Building Cleaning Manager who is starting work today, and part of his brief will be to pick up outstanding issues such as this. Revised Implementation Date: September 2008
						Revised Date 4: 01/03/09	Managers post to be advertised and in post for March 2009. Policy document currently being formulated 60% complete.
						Revised Date 5: 15.04.09	Post advertised no appointment made. Being re-advertised.
						Revised Date 6	Post has been re-advertised 1 person interviewed, no appointment made. Consulting with HR on best way forward.
						Revised Date 1/07/10	Cleaning manager in post working on Recommendations

ACTION PLAN

Para.	Original Test Result/Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
							Completed
3	Risk assessments should be completed and regularly reviewed and updated on all contracts. Suitable controls to mitigate risks should be incorporated into procedures.	S	<p>Recommendation: Risk assessments should be regularly reviewed and updated accordingly.</p> <p>Management Comment: Currently the post of Manager has been used as a budget saving. Will be done when Cleaning Manager is appointed</p>		2		Comment Received: October 2006 Cleaning Manager post not yet replaced
						Revised Date 1: October 2007	Comment Received: June 2007 Cleaning Manager post not yet replaced Revised Implementation Date: October 2007
						Revised Date 2: March 2008	Comment Received: November 2008 The post of Cleaning Manger has yet to be filled Revised Implementation Date: March 2008

ACTION PLAN

Para.	Original Test Result/Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
						Revised Date 3: September 2008	Comment Received: June 2008 We have recruited an Interim Building Cleaning Manager who is starting work today, and part of his brief will be to pick up outstanding issues such as this. Revised Implementation Date: September 2008
						Revised Date 4: 01/03/09	New Risk Assessments are at proof reading stage, completion/publication March 2009
						Revised Date 5: 01/07/09	Completed for issue with new manual
						Revised Date 6: 1/1/10	Cleaning Manager commencing 21/9/09 introduction is a priority
						Revised Date 7 1/07/10	Cleaning manager in Post working on Risk assessments with H & S and manual
						Revised date 8 1/12/10	Risk assessment have been sent to H & S on 1/09/10

ACTION PLAN

Para.	Original Test Result/Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
6	A training record should be maintained on each individual staff file which has been signed by the employee to state that they have received and understood the training provided.	S	<p>Recommendation: A training record should be maintained on each individual staff file which has been signed by the employee to state that they have received and understood the training provided.</p> <p>Management Comment: A record detailing all training received has been produced , but is yet to be implemented.</p>	To be completed by April 2007	1	December 2007	<p>Comment Received: June 2007 As Cleaning Manager not yet in post there has been some slippage in timescales</p> <p>Revised Implementation Date: December 2007</p>
						Revised Date 2: April 2008	<p>Comment Received: January 2008 The job description for the vacant post is being reviewed to encompass a wider remit. This is being discussed with the Chief Executive with a view to securing an appointment at the earliest opportunity.</p> <p>Revised Implementation Date: April 2008</p>
						Revised Date 3: September 2008	<p>Comment Received: June 2008 We have recruited an Interim Building Cleaning Manager who is starting work today, and part of his brief will be to pick up outstanding issues such as this.</p> <p>Revised Implementation Date: September 2008</p>

ACTION PLAN

Para.	Original Test Result/Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
						Revised Date 4: 1.3.09	Comment Received: November 2008 Cleaning manager not yet replaced.
						Revised Date 5: 01.07.09	Start implementation with new manual
						Revised Date 6: 1/1/10	New Manual is a priority
						Revised date 1/07/10	The manual is been reviewed and investigating placing a long term BICs Standard. This would require a training programme and reviewing cleaning standards
							Completed

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	CH0060M1
	Rent Recovery & Enforcement

Directorate:	Community Services
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DATE OF AUDIT: 07 May 2009

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
13	<p>Mold Office</p> <p>Testing on a sample of 10 secured tenancies revealed that action to generate letters informing tenants of their rent arrears and the need to bring their accounts up to date is not always taken on a timely basis. If payments are being made action is not always taken to inform the tenants that payments are not covering the arrears.</p> <p>A sample of 10 introductory tenancies was reviewed. Two of the tenancies were still</p>	S	<p>Recommendation</p> <p>Action should be taken immediately a tenant falls into arrears to establish the reasons and avoid unnecessary delays.</p> <p>Management Comment</p> <p>Guidance on dealing with arrears cases at the earliest possible time will be delivered to all staff responsible. Better relationships will be developed with HB teams, as the processing of claims is identified as a significant issue.</p>	June 2009	2	<p>Sep 09</p> <p>May 2010</p> <p>Oct 2010</p>	<p>Training in use of HB systems and accreditation for verification status has now been completed for all housing officers.</p> <p>A list of Introductory tenancies in arrears is now regularly produced. This list is checked and tenancies are amended or actioned as required.</p> <p>A new Rent Arrears Policy and procedure is currently being drafted and will be implemented by the new Income Management Team, once in place.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>showing as Introductory on the system although they had both passed the 12 months stage. In one case no real recovery action was taken until the arrears had reached £298.49 three months after the start of the tenancy.</p> <p>One tenancy was approaching the end of the term with no letters generated regarding the arrears although regular cash payments had been made but were insufficient to cover the debt.</p> <p>Connahs Quay Office</p> <p>Testing on a sample of 10 secured tenancies revealed that procedures are being followed with the issuing of the correct letters and that actions have been taken promptly when tenancies have fallen into arrears.</p> <p>A sample of 10 introductory tenancies was reviewed and in all cases the correct procedures had been followed. Letter had been issued on a</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>timely basis when the tenancies had fallen into arrears.</p> <p>Holywell Office</p> <p>A sample of 10 secured tenancies was reviewed on the IBS system. In one case the debt had been steadily increasing from March 2008 until October 2008 before any evidence of arrears action. Home visits and telephone conversations had been logged but there was no formal action until the debt had reached £1350.32 in October from £995.31 in March 2008. In all other cases timely actions had been taken to pursue the debts.</p> <p>A sample of 10 introductory tenancies was reviewed. In one case it was noted that 2 months elapsed before the issuing of the first reminder letter when the debt had reached £262.22. In all other cases timely actions had been undertaken to pursue the debts.</p>						

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	CS0130N1
	Charges on Clients Properties

Directorate:	Community Services
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DATE OF AUDIT: 01st April 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3c)	<p>If an individual does not wish to sell their property e.g. this can be the owner renting the property out then they can opt for a deferred payment.</p> <p>There will be an accrued debt building against the property.</p> <p>However, to enable a deferred payment agreement to be in place and subsequently a charge to be registered against the property there needs to be a signed agreement between all interested parties including FCC. This process can be protracted and during the delay the individual may sell their property.</p>	S	<p>Recommendation:</p> <p>Legal Services and Community Services should endeavour to recover the monies owing to FCC as a result of a client's property being sold before the costs of the individual's care had been deducted from the proceeds of the sale.</p> <p>Management Comment:</p> <p>The Executor has acknowledged the debt and will settle upon sale. A protective entry has been registered.</p>	To be reviewed at end of June 2010	1		Legal now register a charge, where it is able to, upon receipt of instructions regardless of whether there is a proposed deferred payment agreement

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>However, it later transpired (after the conclusion of the audit testing) that a “Tenants in common” agreement was in place at the property. Community Services have stated that they will now request Legal Services to register a charge against the property.</p> <p>Internal Audit have asked for an opinion from Legal Services as to whether FCC can legally place an interest/restriction against a property without a signed deferred payment agreement being in place. At the time of the audit no legal opinion had been given.</p> <p>Additionally there are two pieces of legislation in place to protect the financial interests of local authorities in the above situation. They are: Section 55 of the Health and Social Care Act 2001 and Section 22 of the Health and Social Services and Social Security Act 1982(HASSASSA).</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
4b)	There were no local targets, performance indicators or service level agreements in place to monitor the service provided.	S	<p>Recommendation: These local targets should be set, monitored and reported upon by appropriately authorised staff from both Community and Legal Services and be embedded into the existing Legal Services Lotus Notes Database.</p> <p>Management Comment: Subject to the work referred to in para. 7 below this has been implemented. The operation of the system will be reviewed quarterly at the meetings referred to in para. 6 below.</p>	Review at end of June 2010	2	TBA	Local targets have been set and implemented subject to para 7 below 9re the incorporation of the same into the database

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	EC0110L1
	Fostering & Adopting

DATE OF AUDIT: 07th May 2008

Directorate:	Community Services
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Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
16a	The structure of the budget / expenditure codes for the Child Placement team was discussed with the Family Placement Team Manager, and issues were identified around the adequacy of the current posting protocol (in particular with regard to adoption allowances and other discretionary payments to adoptive parents paid through the proposed payment run). Currently all amounts on the fortnightly payment run have to be posted to an EKF211 code (Boarded Out Payments), which is a code set for fostering costs. It is not currently	S	<p>Recommendation</p> <p>Assistance should be requested from Corporate IT to update the system set up within the proposed payment run report on the CIS system to include the relevant general ledger code required for adoption payments (EKF112).</p> <p>Management Comment</p> <p>Need to establish a necessary forum with Corporate I.T. to ensure compliance</p>	1.9.08	1	<p>October 2009</p> <p>Revised date 2: June 2010</p>	<p>The implementation of the new IT system known as PARIS will need to be fully integrated into existing financial IT systems. It is unclear at this stage the full impact of PARIS to support the financial element of Payments. We would ask that this recommendation is suspended until a full evaluation of the effects of PARIS is understood.</p> <p>Implementation of PARIS has been delayed until April 2010.</p>

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>Possible to split the postings within the proposed payment run between EKF211 codes (Boarded Out Payments) and EKF112 codes (Adoptions). As a consequence the figures on the monthly budget report do not provide the level of analysis required by the service area (as all adoption payments (including adoption allowances, starting up grants, discretionary Payments, etc) are included in the summary code EKF211 6000 (Foster Payments).</p>					<p>July 2010</p> <p>Update 14/06/2010. The original expectation was the new IT system (Paris) would integrate all current activities into one system. The Paris Project Board has subsequently advised that this is unlikely to be implemented until mid to late 2011.</p> <p>Consequently will meet with the Business System Team (BST) to input relevant codes and validate this with the financial services team.</p>	
							<p>From August 2010 the recording of payments has been amended to account for the different payment types within the overall payment run.</p> <p>Task Complete</p>
16b	<p>The Admin Resources Officer confirmed that restrictions within the CIS posting protocol prevent expenditure being posted to general ledger codes other than EKF211 (Boarded Out payments). This restriction was discussed with Corporate IT, who confirmed</p>	S	<p>Recommendation</p> <p>Going forward (from April 2008) all adoption related payments should be coded to the appropriate general ledger code and cost centre.</p> <p>Management Comment</p>	1.9.08	1	October 2009	<p>The implementation of the new IT system known as PARIS will need to be fully integrated into existing financial IT systems. It is unclear at this stage the full impact of PARIS to support the financial element of Payments. We would ask that this recommendation is suspended until a full evaluation of the effects of PARIS is understood.</p>

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	that this could be overcome by adding new general ledger codes in the system set up (the adoption related payments on the proposed payment report would then have to be recoded to the appropriate general ledger and cost centre code).		It is assumed this can be undertaken at the fortnightly Boarding Out run			Revised date 2: June 2010	Implementation of PARIS has been delayed until April 2010.
						July 2010	Update 14/06/10 As in 16A THE DELAY IN Paris will require work with the BST and FST to ensure correcting coding is in place
							New general ledger codes have been implemented since August 2010. Task Completed.

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	EN0040N1
	TASK

Directorate:	Environment
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DATE OF AUDIT: 16th February 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
10	<p>The procedures for processing time and job allocation were reviewed with the Depot Clerk at Halkyn Depot.</p> <p>It was established that the operative completes a timesheet for the week detailing their hours worked including leave taken. A worksheet is also completed which details the jobs worked on during the week and the hours for each job.</p> <p>The timesheet and worksheet are passed to the Depot Clerk who checks and balances the two documents to ensure that the hours claimed are correct.</p> <p>The timesheet is then recorded into TASK</p>	S	<p>Recommendation: A review of the TASK job costing data should be undertaken to ensure that accurate job costings are produced.</p> <p>Management Comment: To be progressed between system provider (Consilium) and Depot Clerk as part of an outstanding help desk call.</p>	31/03/2010	2	<p>31/07/2010</p> <p>31/10/2010</p>	<p>This help desk call is still outstanding. Consilium have subsequently offered for a Consultant to come on-site and go through the problem face to face. A date for this is currently being arranged but should hopefully be by the end of July.</p> <p>The Finance Officer dealing with the System Administration for TASK left the Authority in May. Due to recruitment delays, a temporary replacement only came into post in August and outstanding help desk calls are now being dealt with. During the training of the new Finance Officer in August, Consilium were informed that this payroll issue with the system would need to be addressed ASAP.</p> <p>Subsequently, Consilium have agreed to provide on-site provision of a Consultant to go through the problems with the relevant Depot staff and the temporary Finance Officer. This will be undertaken by the end of October.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>detailing the hours worked, leave taken, to specific codes (set by masterpiece).</p> <p>The worksheet is then recorded into TASK detailing the job numbers, dates, bonus codes and total hours.</p> <p>Payroll reports were produced from the TASK system which show a breakdown for each employee including a description of how the pay is calculated (Bonus, Average Bonus, Holiday Pay, Basic Pay).</p> <p>A report was also produced showing the job costing system for each employee. This report breaks down the payroll to individual jobs.</p> <p>The service does not operate to a schedule of rates. A review of composite work values for job codes was obtained in 1992-93 and the service used to work to these codes, however, this has been reduced and only particular codes are used</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>and the document is not fully utilised.</p> <p>Concerns were identified with this process in that the total gross pay is allocated to the jobs worked on, including holiday pay. This was discussed with the Depot Clerk who confirmed that Holiday leave, Sick leave, Average Bonus and Standby Bonus are all currently costed to specific jobs. This issue has apparently been raised with Finance, however, is still outstanding.</p> <p>Therefore, the process currently being operated does not provide an accurate calculation for each job.</p>						

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	EN0010N1
	Business Enterprise Units

Directorate:	Environment
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DATE OF AUDIT: 25th May 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3	A discussion was held with the service manager and it was identified that a business plan has not been created. It was noted that the Head of Regeneration and the Head of Technical Services were in the process of creating a plan; however this work has since been placed on hold until the completion of the service review and Options review.	S	<p>Recommendation: The service should arrange for the business plan to be completed and approved by the Director.</p> <p>Management Comment: A business plan will be prepared based on the findings of the options review currently being undertaken by Grant Thornton.</p>	Aug 2010	2	February 2011	Service Review and Grant Thornton Options Review still on-going. Business Plan to be drafted on findings of the above.
5	It was established that a number of written procedures exist for various operations within the centres, however the contents of the procedures are not consistent and a	S	<p>Recommendation: A review of the services procedural documents should be undertaken to ensure that key financial procedures are included and a consistent set</p>	Aug 2010	1	N/A	Procedures updated to include financial procedures, cash handling procedures and income collection.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>number of key procedures have not been included.</p> <p>Written procedures are currently held for; Application for Occupation procedure; Cheques procedure; Purchase Orders; Quote to job procedure, Sales and Purchase invoices, debt management and a Complaints Procedure.</p> <p>Key procedures to be formalised should include financial procedures, cash handling procedures and income collection. The content of these documents should also be consistent with the procedures already held.</p> <p>It was also noted that during the audit, a review of the procedures has commenced and should be implemented in the near future.</p>		<p>of procedures are maintained and shared with relevant staff.</p> <p>Management Comment: Financial procedures user guide will be completed.</p>				

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
13	<p>It was identified that no marketing plans are in place. It was also noted that a website is being developed for both business centres.</p> <p>From a discussion with the Enterprise Manager it was established that the Options review is in progress and the marketing for both sites will be reviewed.</p> <p>A marketing plan is a key document for promoting the services available and should be introduced.</p>	S	<p>Recommendation: Following the consultants Options review, the service should introduce and adhere to a suitable marketing plan.</p> <p>Management Comment: A marketing plan will be prepared based on financial limitations and findings of the option review</p>	Aug 2010	2	October 2010	Grant Thornton Options Review is on-going. A Marketing Plan is being drafted and costed. Working with Joanne Purnell to develop dedicated FCC web pages for the Business Centres.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
15	<p>A review was undertaken of the costs for specifically operating the two business centres and data was examined covering the period from 2006 to 2009.</p> <p>It was identified that the business centres have continued to operate at a loss over the last three years and it is further expected to report a loss for 2010.</p>	S	<p>Recommendation: Consider the findings within this report and the pending options review to determine how the service can operate more efficiently.</p> <p>Management Comment: Options Review will detail efficiencies and recommendations to be considered for implementation.</p>	Aug 2010	2	October 2010	Grant Thornton Report is on-going, options review will detail efficiencies.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>Joint losses were reported in:</p> <p style="padding-left: 40px;">2006/07 - £72,468</p> <p style="padding-left: 40px;">2007/08 - £103,379</p> <p style="padding-left: 40px;">2008/09 - £12,235</p> <p style="padding-left: 40px;">2009/10 - £82,305</p> <p>(Estimated)</p> <p>A discussion was held with the Enterprise Manager regarding these losses and one main factor was reported. The rental costs were circa £40K when the management of both sites was undertaken externally by Flintshire Enterprise Limited. The sites were re-valued by the District Valuer and a rental cost of £203K per annum was identified and charged to the services budget. It was understood that the previous rental had not been reviewed for a number of years and had remained at that level. The current rental costs have remained constant since 2009 and do not appear to have been reviewed. A further review could potentially</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>result in increased rental charges to the service.</p> <p>There is concern regarding the operation of the centres as continuous losses are occurring. Increased occupancy and further investment will be required in order to operate more efficiently and the introduction of marketing, business and investment plans should assist to address this.</p> <p>An Options review is due to be undertaken which will look to improve efficiencies in managing both business centres and it is expected that this work will be completed in March 2010.</p>						

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	EN0080N1
	Data Management – Public Protection

Directorate:	Environment
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DATE OF AUDIT: 04th March 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1a)	<p>Our review highlighted fundamental problems with the integrity of master data held in APP. The principle of the Database is that every premise has one record and that all activities are recorded and linked to that premises record; this enables a full history of a premise</p> <p>APP database is intended to be an integrated system which records actions against activities and links these to a single premises record. Under the current arrangement Public Protection set up premises using a different coding structure from other users; the</p>	F	<p>Recommendation:</p> <p>There needs to be a data assessment to analyse the data structures within APP to ensure that data is held efficiently and logically in the system and can be extracted to meet the information needs of the Authority. To enhance data quality there needs to be well-defined processes which should be set out in a protocol to ensure that master data recorded in the system is recorded once only and in a consistent and accurate manner to ensure that a single premises/customer record exists in the system.</p>	June 2010	1		<p>Upon implementing the Planning module of APP, the Flare User Group agreed to use a separate 'master' property for all records associated with a building, allowing Public Protection to utilise their own coding structure according to usage.</p> <p>The APP system has a facility to link a property to another if there is a relationship between the two. In Public Protection, when a premise changes usage, the new 'open' premise needs to be linked to the former 'closed' premises.</p> <p>In Planning, 30 newly built dwellings can all be linked to the property record holding the planning decision for their construction. The 30 dwellings then become 'linked' properties, linked to what is known as a 'header' property.</p> <p>A 'linked' property cannot also act as a 'header' property which would be required if one of the 30 dwellings in the example above subsequently became a business which changed use over the</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>result being a huge duplication of premises within the system. Because there are multiple customer and premises master records in the system this affects the ability to report without establishing the links between duplicate customers. This has implications for service efficiency and delivery of an effective service to the Authority's customers and the integrity and value of the data to the Authority is compromised.</p>		<p>Management Comment: The current protocols were advised by APP to meet the needs of those who require a property focussed database and those in Public Protection who want a Premises/ Business focussed database. There is a need to assess if the position has changed as far as company is concerned. Second option is to make contact with other corporate APP users to find out how they have managed the conflicting demands.</p>				<p>course of several years. For this reason, the users wish to retain the use of the system as it stands. Having spoken with Civica on this matter, the system hasn't changed in this area. Corporate users in at least one other Authority have also adopted this approach and we believe others are keen to work in this way.</p>
3a)	<p>There is a risk that coding systems are not adequate to support the business needs of the Directorate. The primary aim of a coding structure is to enable grouping and sequencing information to allow extraction of data for performance and management purposes.</p>	S	<p>Recommendation: Controls over coding should be established:</p> <ul style="list-style-type: none"> ▪ Each User department should review the coding structure in operation and evaluate whether it meets their requirements. 	July 2010	2	December 2010	<p>Codes have been reviewed and are fit for purpose. They have been developed historically over 10 years so the opportunity for significant change is limited because it would impact on the history record. Controls are administered by the existing administrators. Delay in the process for Job Evaluation and Single Status has meant that the appointment of a Business Systems Officer has been temporarily delayed.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>A comprehensive codes dictionary is provided with the APP system, which can be tailored to the authority's work practices. All users have access to the same code dictionary which consists of hundreds of codes. Each section using the APP system have set up codes and added to the dictionary. All users do not necessarily use the same codes for the same ancillary activities such as receiving telephone calls.</p> <p>As business requirements evolve it is essential to regularly review the initial and ongoing configuration, both at business and technical levels, of the systems otherwise the Authority risks serious loss of integrity over time in its data and document assets.</p>		<ul style="list-style-type: none"> ▪ Controls should be established for the setting up of new codes. <p>Management Comment: Because of the phased way that the system was implemented in different services and the lack of a system manager, global management of the coding structure has not been possible. Issues of coordination have been discussed in the Flare User Group.</p> <p>Overall procedure required</p>				
5b)	Users of the APP database approach their Systems Administrators when encountering problems with	S	<p>Recommendation: It is recommended that a process is put in place for the logging and reporting of</p>	August 2010	2	30.9.10	A meeting of officers will take place in the second week of September to define guidance for Infopoint and to enable processes to be agreed.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>the database and these are taken to Civica or Corporate IT for resolution.</p> <p>The Error Report facility within the database is not used. Users can access the APP User Management link within Lotus Notes for reporting problems and how to resolve problems for the benefit of other users.</p> <p>IT does not maintain any logs of problems experienced with the system.</p> <p>Officers interviewed highlighted that there are ongoing problems with day to day operations which staff find very frustrating. As there is no formalised method of recording and monitoring the problems tend to go unresolved.</p> <p>It is important that all problems are diagnosed and reviewed.</p>		<p>problems experienced with the APP database to ensure all problems are identified and that all users are aware of the process.</p> <p>Management Comment: A Lotus Notes Database has been created to share information on enhancements and to allow knowledge sharing. Requires process procedure. Develop APP page in InfoPoint</p>				

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>formalised documented standards and procedures which we consider contributes to the inconsistency of data and variable data quality held in APP.</p> <p>It is important that the Directorate establishes transparent, auditable policies, standards and procedures for data management to ensure the integrity of data. Data management policies should cover the whole life-cycle from data acquisition, operation through to long term preservation of the data.</p>						
16	<p>The User Group meets once or twice annually. As part of the Audit we attended the meeting on 20th May 2009 as a familiarisation exercise to understand the purpose and focus of the User Group. The meeting has an agenda and notes of the previous meeting (July 2008) were circulated.</p>	S	<p>Recommendation:</p> <p>It is recommended that in order to maximise the effectiveness of the User Group it is given a formal status with terms of reference and that all users are made aware of its existence. Formalising the User Group should ensure:</p>	July 2010	2	December 2010	<p>The non-appointment of the Business Support Team Leader has meant that this has not been fully completed. Terms of Reference are to be discussed in the September User Group meeting and the Directorate Support and Performance Manager will be the Senior Manager responsible for the User Group in the interim.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>A range of issues were discussed including the testing of 'hot fixes' and changing passwords. Data quality was discussed and a sample of records within the APP system was viewed on the projector to highlight data inputting issues.</p> <p>The Team Leader Development (ICT) reported that he is invited to the User Group Meetings and attends when he can. The User Group Meetings are not attended by senior managers</p> <p>The User Group has no formal terms of reference and was established to try and resolve issues arising from the use the system. It consists largely of Systems Administrators and it was reported that many users of the database are unlikely to be aware of its existence. It meets on an irregular basis when it is considered that issues need to be discussed and it is uncertain that the outcomes</p>		<p>Users have clear instructions on how they can report any issues they would like to be addressed at the meetings, and that outcomes from the meetings are fed through to all users to achieve resolutions of problems.</p> <ul style="list-style-type: none"> The meetings are attended by a senior manager who will ensure that ongoing issues are reported at the appropriate level in the Directorate. <p>Management Comment: Role of Business System Team Leader reporting to Directorate Support and Performance Manager and DMT</p>				

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	from the meetings are fed down to the users of the system. Notes of the meetings rather than formal minutes are maintained. A review of the notes on the more recent meetings highlighted the fact that issues are not being resolved and the same problems are being discussed.						
23	<p>The audit revealed that the document logging facility within APP is not being maximised largely due to the configuration of the system.</p> <p>Presently APP is not linked to the e-mail system or to the photograph library; due to different servers being used and IT configurations need to be streamlined to assist all users of the database. The planning section is moving over to a Windows server and testing will begin by mid</p>	S	<p>Recommendation:</p> <p>To ensure that a full record is maintained in APP all documents should be logged in the database.</p> <p>It is recommended that the EDMS is prioritised to promote the optimisation of the document logging facility and to provide the database with a full and complete record of activities.</p> <p>Directorate officers should review other departments</p>	June 2010	2	September 2010	A meeting has been arranged in the second week of September to discuss EDMS in the context of APP and corporate policy. Corporate ICT to advise.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>September.</p> <p>The Planning Department is the main user of the document scanning facility but not all documents are scanned. There is a lack of consistency with document scanning, for instance, consultation responses received are not scanned and therefore it is not possible to view the responses on the system.</p> <p>It was reported by the Administration Manager that scanning procedures are under review and that the implementation of the Electronic Document Management System (EDMS) is long overdue.</p>		<p>within the Authority who have successfully implemented paperless work flow procedures such as Housing Benefits.</p> <p>Management Comment: Accepted. This has been an aim for a number of years but requires corporate EDMS. It was the subject of a proposal for an invest to save initiative for 2009/10. The Directorate has been advised to await a corporate solution. Environment was not selected as a pilot. Consult ICT on current progress corporately.</p> <p>Good progress has been achieved with Planning online which has seen a paperless on line solution for application forms plans, minutes and maps. In addition over 25000 planning application files have been scanned and destroyed working with a private sector contractor</p>				

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	EN0100N1
	Technology Forge

Directorate:	Environment
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DATE OF AUDIT: 13th April 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1/2	It was noted that a Project Definition Report was compiled 09/05/06 and a Follow on Actions Report 26/11/07. These documents detail goals and objectives for the Technology Forge System. The explanation given for not carrying out a formal evaluation was that the implementation of the system is still ongoing i.e. not all modules are "live".	S	<p>Recommendation:</p> <p>A formal evaluation of the Technology Forge System should be undertaken on an individual module basis with a view to determining whether the goals and objectives of each module as detailed in various reports have been realised and whether there has been any measurable increased business process efficiency.</p> <p>Management Comment::</p>	August 2010	2	Dec 2010	<p>Regular Tf Progress meetings take place to discuss each module and to determine the extent of their current use.</p> <p>All modules are currently being used within Technical Services with the exception of Suitability & Sufficiency (Lifelong Learning) and Utility Register (Energy use alternative software as the module within Technology Forge is not sophisticated enough).</p> <p>We have discovered that the AMS has produced many benefits such as (a) we acquire only the software that we need. We know how many licences we have and can monitor their use. (b) using Tf Facility has meant that other work platforms are not now used resulting in continuity and efficiencies. We now have the added benefit of none duplication of data and the accuracy of one software system only (c) detailed information now exists against all properties with good back up and recovery plans should the need arise.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>There is no comparative data available (from before TF was implemented) to prove whether there has been increased business process efficiency. Technology Forge is a central repository of all property related data facilitating associated work processes. Prior to Technology Forge a number of service areas had developed and maintained separate systems, an approach which had potential inherent issues such as duplication, inaccuracy and inefficiencies. The main efficiency of Technology Forge is the replacement of numerous systems with one, leading to a single source of inter-related data for use in asset management.</p>		<p>It is managements view that one report is required that considers the goals and objectives and determines if they have been delivered successfully.</p> <p>The Service Mangers responsible for the principle areas of the system will prepare and issue this report.</p>				<p>(d) knowing what software we have, why we have it and where it is, allows us to make informed strategic and operational decisions (e) upgrades and changes automatically take place, saving time and money for both IT, the authority and employees (f) backup and recovery systems are easier to maintain and support costs have hopefully been reduced (g) Tf is an integrated module system which enables data and information to be stored in a more efficient manner (h) deadlines can be met much easier.</p> <p>By the end on December 2010 a report and action plan will be drafted that will clearly show the benefits of the respective modules within Tf and how the Tf software supports the corporate objectives through efficient asset management planning.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
6	<p>Incorporated into the Project Definition Report (09/05/06) was an action plan. However not all tasks had an officer responsible or a target date for implementation. Information contained in these documents was dated.</p> <p>Further discussions were held with the Senior Technical Officer who stated that "Responsibility for the management of the modules sits substantially with the two service areas which the modules interface with i.e. the Corporate Property Maintenance Manager and Corporate Valuer. Meetings are held to monitor progress the last one being held in May 2009 to report in on module implementation progress".</p> <p>It transpired that there was no action plan in place.</p> <p>Further discussions were held with the Project Sponsor who indicated that an action plan could be distilled from the</p>	S	<p>Recommendation: To ensure a coordinated and timely implementation of the Technology Forge system there needs to be an up to date action plan in place.</p> <p>Management Comment: The user group responsible for the management and implementation of any residual modules has set this plan for the limited number which have yet to go live in the valuation and estates work area.</p>	August 2010	2	Dec 2010	<p>Regular Tf Progress meetings take place to discuss each module and to determine the extent of their current use.</p> <p>All modules are currently being used within Technical Services with the exception of Suitability & Sufficiency (Lifelong Learning) and Utility Register (Energy use alternative software)</p> <p>An action plan in relation to each module will be produced and presented during December 2010</p>

ACTION PLAN

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	<p>topics discussed at the Technology Forge Progress Group.</p> <p>The action plan should encompass: -</p> <ul style="list-style-type: none"> • List of prioritised actions required • Responsible officers • Target dates for implementation • Monitoring processes. <p>The action plan should include:</p> <p>The project objectives in relation to Technology Forge interfacing with other applications as required.</p> <p>The project objectives in relation to the migration of existing asset information into Technology Forge. (See sections 9 and 10)</p>						

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	EN0120N1
	Affordable Housing

Directorate:	Environment
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DATE OF AUDIT: 24th February 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
10 b)	<p>The summary assessment for 2007 highlights that land supply in Flintshire is between 2.82 and 3.3 years; although based on past build rates land supply would amount to 6.53 years. A total of 231 units of affordable housing are within the five year supply, however, the UDP residential land commitment includes 710 affordable housing units until 2015.</p> <p>As part of the JHLAS planning authorities must maintain accurate records on completions and identify the number of market and affordable housing units built</p>	S	<p>Recommendation: Data should be submitted to WAG in accordance with deadlines to enable the timely completion and publication of the Joint Housing Land Availability Study (JHLAS).</p> <p>The JHLAS for 2008 should be disseminated to senior management and members and published on the Authority's website in accordance with Tan 1.</p>	March 2010	2	August 2010	<p>AR: WAG do not set a deadline for the JHLAS other than requiring in TAN1 that it is published within 12 months of the study base date. Studies have been delayed in Flintshire as they have coincided with key stages in the UDP process and resources have had to be prioritised.</p> <p>AR(15.09.10) – Due to a restructuring of the department of WAG which is responsible for JHLA studies (DE&T) WAG have announced that they will be putting in place interim arrangements in relation to the progress and management of LHLA studies. WAG will be issuing a guidance letter on these arrangements (not received at time of update).</p>

ACTION PLAN

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	<p>each year: Flintshire has not done this.</p> <p>We contacted WAG to establish the reasons for the delay in publishing the 2008 study. The WAG officer stated that Flintshire had been late submitting the data and that staffing issues at WAG had also contributed to the delay. The publication of the study is imminent but Flintshire is effectively running a year behind.</p> <p>Appropriate steps were not taken to disseminate the 2007 study to senior management and members and the Authority has not published the study on the website as required by TAN 1. (Section 7.6.5).</p>		<p>Management Comment:</p> <p>Head of Planning Policy intends to approach WAG to agree 'catch up' on JHLAS by doing a two year (2009 and 2010) study.</p>			October 2010	<p>AR: WAG has been approached regarding carrying out a two-year (2009-2010) study and we are awaiting confirmation. Preparatory work is already underway to carry out the study.</p> <p>AR(15.09.10) – WAG have accepted the principle of carrying out a 2 year study and the majority of the survey work is now complete. Survey results will be sent to WAG for compilation, agreement by the study group and publication. Expected completion of study work is by mid October 2010 but given interim arrangements announced by WAG (see above) cannot be certain about publication timescales.</p> <p>AR: WAG has only recently provided the JHLAS in a format suitable for publication electronically and so it is difficult to present earlier versions of the study in the same way. Also WAG do not have up to date studies on their website.</p> <p>AR(15.09.10) – Electronic copies of the 2007 and 2008 studies have now been obtained from WAG and will be available on the Planning section of the Council's website by the end of September 2010.</p>

Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

Project Ref:	EN0130N1
	Public Protection – Income from Fees

DATE OF AUDIT: 18th December 2009

Directorate:	Environment
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ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1	<p>The charging arrangements for each area within public protection were reviewed to identify whether FPR 9 is complied with in respect of charging policies.</p> <p>Building Control have formulated a charging policy 'Scheme for the Recovery of Building Costs and Associated Matters' developed within the framework of The Building(Local Authorities Charges) Regulations 1998. This has been approved by Executive and is reviewed annually.</p> <p>Trading Standards produce a Scale of Fees document each</p>	S	<p>Recommendation: The Head of Public Protection should ensure that charging policies for all areas within Public Protection are formally set and reviewed annually, and in line with the EC Directive, ensure that all charging policies represent the true cost of the services provided.</p> <p>Management Comment: Charging Policies will be formally reviewed on an annual basis as part of a formal Management Review and any changes agreed at Public Protection management Team level.</p>	End February 2010	2	31/8/2010	<p>New charging Policy to be put before Executive in September 2010.</p> <p>The fees for Licensing and Trading Standards functions have been reviewed by the Community Protection Manager and will be increased. It has been established that the Director is able to approve these under delegated powers and a report is under preparation.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>year which is adjusted annually for inflation. This implements the maximum recommended fee by the Local Authorities Coordinators of Regulatory Services (LACORS). This document does not go through an annual review or approval process but was agreed in principle and agreed by resolution when it was first implemented in 1998.</p> <p>The Pollution Control list of fees for 2009/10 is in accordance with the Fees and Charges (Wales) Scheme 2009.</p> <p>The Licensing Section have formally set out a policy in respect of fees charged for gambling establishments and this was approved by the Licensing Committee on 30th April 2007 but has not been reviewed since. Others fees, such as Private Hire and Hackney Carriage licensing, which are set locally, have not been reviewed regularly or approved.</p>					TBC	<p>All licence fees that fall within the EU Services Directive requirements have been reviewed by the Head of Health, Safety and Licensing, though not formally reported. (Had to do it to meet the Government's 28/12/09 deadline).</p> <p>We will take into account the work being carried out by Finance Accounting to produce a single document of all the Council's fees. This will give an opportunity for a more structured review process.</p> <p>Our latest information is that there is no Council wide fees document likely in the foreseeable future, hence our local action detailed above.</p>