

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

Your Ref /
Eich Cyf

Our Ref / Ein Cyf **ST**

Date / Dyddiad 20/01/2012

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 **MONDAY, 30 JANUARY 2012** at **10:00** to consider the following items.

Yours faithfully



Democracy and Governance Manager

AGENDA

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
3. **MINUTES**
To confirm as a correct record the minutes of the meeting held on 14/12/2011 (copy enclosed).
4. **GALW GOFAL: FURTHER INFORMATION & LESSONS LEARNT**
Report of Director of Community Services enclosed
5. **TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2012/13**
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

6. **FINAL REPORTS AND PERFORMANCE INDICATORS**
Report of Head of Finance enclosed

7. **OPERATIONAL AUDIT PLAN AND RECOMMENDATION TRACKING**
Report of Head of Finance enclosed

8. **INVESTIGATIONS PROGRESS REPORT**
Report of Head of Finance enclosed

9. **AUDIT COMMITTEE SELF ASSESSMENT**
Report of Head of Finance enclosed

MEETING OF AUDIT COMMITTEE
14 DECEMBER 2011

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Wednesday, 14 December 2011

PRESENT: Councillor I.B. Roberts (Chairman)

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

ALSO PRESENT: Councillors: J.B. Attridge, M. Bateman, P.G. Heesom, R.P. Macfarlane, D. McFarlane, C.A. Thomas and A. Woolley

IN ATTENDANCE: Chief Executive, Head of Finance, Internal Audit Manager, Democracy & Governance Manager and Committee Officer

Revenues & Benefits Manager (for minute number 44)

Director of Environment, Director of Community Services, Director of Lifelong Learning and Head of Human Resources & Organisational Development (for minute numbers 47-49)

Mr Patrick Green of RSM Tenon Plc

Ms. Amanda Hughes of Wales Audit Office

41. MINUTES

The minutes of the meeting of the Committee held on 1 November 2011 were submitted.

Accuracy

On the use of consultants, the Internal Audit Manager said that the final sentence of the second paragraph should read 'The Internal Audit Manager confirmed that the cost for the use of consultants had increased in the second half of 2010/11 compared to the first half of 2010/11.'

Matters Arising

On the Risk Management item, Councillor G.H. Bateman sought an update on national grants. The Head of Finance reported that details of the final settlement for 2012/13 had been received along with other significant information such as specific grants in Wales, however specific grant information for Flintshire was still awaited. Further details would be received at the Executive meeting on 20 December 2011.

In response to a query by Councillor A.M. Halford on Final Reports and Performance Indicators, the Internal Audit Manager advised that a letter had previously been sent to all Members providing information on the Data Protection group.

On the Use of Consultants, Councillor Q.R.H. Dodd asked if collaborative working arrangements would reduce the overall number of consultants engaged by the Authority. The Chief Executive differentiated between the two types of savings where consultants were procured together with other Councils, eg legal and waste, and where savings were made through service integration, as in Planning.

RESOLVED:

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

42. DECLARATIONS OF INTEREST

No declarations of interest were made.

43. TREASURY MANAGEMENT UPDATE

The Head of Finance introduced a report to update on the Council's Treasury Management Policy, Strategy and Practices 2011/12. A summary of the Council's investments was shown in paragraph 3.04 of the report together with a breakdown in the appendix.

A training session, to be hosted by the Audit Committee, had been scheduled for 17 January 2012 to which all Council Members would be invited. The draft Policy & Strategy Statement for 2012/13 would then be considered at the Committee's next meeting on 30 January 2012. On Landsbanki, the Head of Finance said the indications were that Flintshire would be given priority status, however confirmation of this was awaited. Priority status had been announced for test cases and this was anticipated for non test case investors, of which Flintshire was one.

Councillor M.J. Peers questioned whether the decision to invest with Doncaster Council had been made prior to the Council's advisers issuing a 'red flag' on credit risk status and asked about the rationale behind investments made with other Councils. The Head of Finance said that longer term investments had been made prior to the change to credit risk status which had occurred only recently and which would continue to change over time. She went on to say that Local Authorities were amongst many institutions in which to place investments and that many preferred to raise money for their borrowing capital investment purposes in this way, rather than with financial institutions. In response to Councillor Peers' concerns, the Head of Finance said that the Council did not have any influence on how investments were used by other Authorities but that this method of investing was low risk and adhered to the Council's Treasury Management Policy Statement.

Councillor G.H. Bateman questioned the volume of investment with some overseas institutions. The Head of Finance explained that officers had taken advantage of rates available at that time and that these changed on a daily basis.

Councillor Bateman queried the limit of investment with building societies and the Head of Finance replied that this was £5M.

In response to comments made by Councillor P.R. Pemberton, the Head of Finance said that in treasury management terms, Doncaster Council had offered availability to invest and the Council had taken up that opportunity. The Chief Executive added that the previous Government intervention at Doncaster Council was no indication that they were not a suitable organisation in which to make a treasury investment.

RESOLVED:

That the report be noted.

44. HOUSING AND COUNCIL TAX BENEFIT UPDATE

The Head of Finance introduced a report to provide an update on the 2009/10 Housing and Council Tax Benefit Subsidy audit, progress with the 2010/11 audit and preparation for the 2011/12 audit. The report also provided an update on Welfare Reform and progress on the Benefit Service Action Plan which had been introduced to improve the service and to maximise income to the Council through subsidy payments.

It was reported that the 2009/10 Housing and Council Tax Benefit subsidy claim had been accepted by the Department for Work & Pensions (DWP) and that the issue on subsidy reduction now stood at £10,031 with the matter concluded. The claim for 2010/11 confirmed at this stage that no subsidy reduction on the payment of benefits had been incurred but this was subject to the finalisation of the claim and consideration by the DWP on the Wales Audit Office (WAO) audit letter on the subsidy return. Work had commenced on the 2011/12 claim which would need to be completed one month earlier than previously. The Head of Finance reported on the very positive and productive work undertaken with the DWP Performance Development Team to develop an improvement plan to respond to previously reported issues. She also reported on work with the Head of Housing in 2012 to report to Executive in January 2012 on welfare reforms and the impact on wider sections of the Council.

It was envisaged that, for the future, further reporting on welfare reform would be reported to Executive and Overview & Scrutiny.

Councillor A.M. Halford welcomed the improvement in processing new claims and changes in circumstances and commented on ICT issues. She questioned the Council's choice of software used to process benefits, due to the significant risk identified as Councils considered the options for a replacement Council Tax Scheme as a result of welfare reform proposals. The Head of Finance explained that only a few different types of software were used by Local Authorities to run Council Tax and Benefits systems and that the one adopted at Flintshire was used elsewhere in England, but not in Wales, hence the significant risk. She confirmed that procurement of the system had been the subject of a business case and usual procurement process at the time and that there were

currently no issues with the software. However, she added that being the only user of the system in Wales could potentially leave the Council vulnerable to changes in legislation and that collaborative arrangements may be required. The Revenues & Benefits Manager referred to the potential for an all Wales model, as outlined in the report.

The Chief Executive said that this was an operational risk and on the wider point made about ICT issues, highlighted Flintshire as a progressive Council in collaborating with other Authorities. He added that every Council would have systems which were in a minority compared to others, and that over time Councils would merge on ICT infrastructure.

Councillor P.R. Pemberton asked if the DWP undertook monthly monitoring. The Revenues & Benefits Manager replied that this was not the case or the role of DWP, but that data cleansing was now carried out on a monthly basis by the Benefits Service which enabled officers to undertake ongoing monitoring prior to the final audit.

Councillor W. Mullin asked who was responsible for informing people about changes which were being made to welfare benefits. The Head of Finance said that a multi-agency approach was adopted including the DWP, Council departments and partner organisations to ensure that those affected by the changes were able to plan ahead. She said that this was a complex issue and that work was in place which she was leading with the Head of Housing to enable the Council to understand and manage the risks to the Authority. The Chief Executive commented on an important project led by Flintshire Citizens' Advice Bureau on maximising benefits uptake.

On the software issue, Councillor M.J. Peers highlighted the positive that the risk could be managed once it had been identified, but queried whether significant maintenance costs should have been incorporated in the Financial Implications section of the report. The Head of Finance said that maintenance costs were only potential future financial implications and that at this stage, the purpose of the report was to provide update information.

Councillor G.H. Bateman commented on the proposed new Council Tax scheme for Wales and the reference that more guidance was required from the Welsh Government (WG). The Head of Finance said that this was a statement of fact and that further information was being sought through professional networks to help the Council to determine the direction it wished to take.

Members commended the officers and teams on the improvements made and the Chief Executive endorsed the appreciation in the turnaround of services and the time and effort taken to do this.

RESOLVED:

- (a) That the report be noted; and

- (b) That the 2010/11 Housing and Council Tax Benefit Subsidy Claim be reported at the next Audit Committee together with any further updates on progress and developments on Welfare Reform.

45. REPORTS FROM WALES AUDIT OFFICE

Ms. Hughes from the Wales Audit Office (WAO) introduced a report to provide the Annual Audit Letter to Council Members and the Final Accounts Memorandum 2010/11.

She explained that the Annual Audit Letter would be incorporated in the Annual Improvement Report to be issued at the end of January 2012. The Final Accounts Memorandum summarised the Auditor's comments on the final accounts which had been issued with an unqualified opinion in September 2011.

Annual Audit Letter

Councillor A.M. Halford remarked on issues identified in points 3-5 and invited comments from the Leader of the Council who was present in the public gallery. The Leader asked that any specific questions be submitted in writing to ensure that full responses could be provided.

On point 5, Councillor M.J. Peers asked for clarification as to why the accounting policy in valuing housing stock had not been correctly applied and whether this had been rectified. Ms. Hughes explained that more detailed information on the accounts had been considered at the Committee's meeting on September 2011. The Beacon principle had been applied incorrectly as the 20% of housing assets being valued on a rolling basis was not representative of the Council's whole stock. It had since been agreed that the Council's housing stock would be valued in its entirety for the current year.

Following a comment made by Councillor P.R. Pemberton on point 6 relating to private equity investments, Ms. Hughes said that this was merely to draw attention to a degree of uncertainty in the valuation of such investments.

Final Accounts Memorandum 2010/11

In response to Ms. Hughes' comment that the Council had failed to publish its accounts on the website within the deadline, the Head of Finance said that arrangements were being put in place to deal with this. The Chief Executive remarked on the time restrictions of some translations and suggested that the requirement to publish the accounts would overrule in exceptional cases such as this.

Councillor G.H. Bateman referred to point 24 on the need for the Audit Committee to consider the Annual Governance Statement (AGS) as a discreet agenda item. Ms. Hughes explained that the AGS was an important statement that the Committee should give due attention to, as opposed to considering it as part of the agenda item on the accounting statements. She added that new requirements under the Local Government Measure on Audit Committee work

further strengthened this need and that the Statement should in future be considered as a separate agenda item. The Democracy & Governance Manager advised that points 23 and 24 of the Memorandum had been considered at a meeting of the recently formed Corporate Governance Working Group to ensure that the Council complied with best practice guidance in future.

In response to Councillor Halford's queries on the remaining issues on point 24, Ms. Hughes said that the Annual Governance Statement set out governance arrangements for the Authority, however it could prove difficult to provide evidence to demonstrate this. She went on to say that links with the risk register and Statement were not logical as it was felt that the Council's Statement did not capture everything, however amendments had since been made to the Statement in the final accounts to remedy this.

Councillor Halford thanked the Head of Finance for the letter recently sent to the Audit Committee to address queries on the Clwyd Pension Fund. In response to a question, the Head of Finance replied that 'AVC' meant Additional Voluntary Contributions where Pension Fund members could increase contributions to receive additional benefits. Councillor Halford commented on the indication in the letter that there were around 35-50 retirements per month and the Head of Finance stated that this represented the whole of the Clwyd Pension Fund scheme across North East Wales, not just Flintshire.

RESOLVED:

That the Annual Audit Letter to Members of Flintshire County Council and the Final Accounts Memorandum 2010/11 be noted.

46. VARIATION IN ORDER OF BUSINESS

Due to time constraints, it was agreed that the final two agenda items would be brought forward to allow the senior officers present to answer questions. It was also agreed that the following items would be deferred for consideration at a separate meeting, details of which would be notified in writing:

- Item 7 - Final Reports and Performance Indicators
- Item 8 - Operational Audit Plan and Recommendation Tracking
- Item 9 - Investigations Progress Report
- Item 10 - Galw Gofal: Further Information and Lessons Learnt

47. CONSULTANTS - RECOMMENDATION TRACKING

The Internal Audit Manager introduced the report to inform Members of progress against the recommendations made in the Audit report on the systems and controls around the use of consultants by the Council.

The Chief Executive highlighted paragraph 3.06 of the report which explained the reason for deferral of some of the recommendations following the delay of a national review of Contract Procedure Rules (CPRs).

Councillor A.M. Halford pointed out that some of the issues previously raised had not been included in the report, for example background information on the engagement of consultants by Human Resources and whether a register was used. The Chief Executive said that there were a number of consultants used by Human Resources on significant change projects and where specialised expertise was required (with a breakdown provided in the following agenda item).

The Head of Human Resources & Organisational Development said that specific details could not be provided in a public forum but confirmed that arrangements were in place for procuring services through agencies for specific work and in specific circumstances. She continued that services had been required in Occupational Health where an appointment could not have been made from within the organisation and that ongoing consultancy support had been sought via the procurement process for the maintenance of the Midland Trent system. This type of expertise had not been available within the new HR structure which had only recently been approved.

In response to further queries, the Chief Executive commented on the complexity of the Midland Trent system and said it would be common practice for an Authority to buy in fixed-term specific support when introducing such a system, however that support would no longer be needed during the next phase of the project. The system had already generated savings via the implementation of the self-service facility and changes to support in Occupational Health had resulted in 6-figure efficiency savings through joint working with Wrexham County Borough Council.

Councillor M.J. Peers asked whether a full-time equivalent (FTE) figure was available for consultants used. The Chief Executive said that although this could be provided theoretically, it could only be a limited comparison.

Councillor Halford commented on the lack of separate guidance to officers on the engagement of consultants and asked about Directors' means of monitoring the use of consultants within their sections.

The Director of Environment said that officers used the Council's Contract Procedure Rules as part of the tender process and did their best to secure value for money within the Rules. Where there were specific but not significant projects, he expected Heads of Service to sanction consultancy requirements. He went on to explain that consultants rather than an in-house team had been engaged on a speed limit review for reasons of capacity, expertise in this field and relevant software used.

The Director of Community Services said that he required knowledge of why consultants were required in his Directorate. A manageable number of consultants were used and consultants were engaged in a competitive process in the majority of cases.

The Head of Human Resources & Organisational Development said that the tender process was followed for larger projects, except in a minority of cases where the field of expertise was limited and that it was usually more cost effective

to use consultants than to recruit. She added that she would need to approve the engagement of consultants in her section and that the Chief Executive would also be made aware.

The Director of Lifelong Learning said that very few consultants were engaged in his Directorate, at any point in time. The major consultancies were dedicated to specific projects and funded by the Welsh Government (WG) or other regional sources. In-house capacity was always initially explored before procuring services at best value, with monitoring by Heads of Service.

In response to a question from Councillor Halford on School Modernisation, the Director said that no consultants had been used to conduct local area reviews and that schools preferred to deal with officers they were familiar with. However, capital elements such as major school refurbishment may require work with specific consultants where appropriate, procured through the Environment Directorate. The Chief Executive said that a consultant had previously been involved, initially to support the 14-19 Transformation business case, but this had since been dealt with internally and there would be a reluctance to outsource. The Director of Lifelong Learning added that external consultants had been engaged and procured on the 14-19 Transformation programme on a national framework procured by the WG.

Mr. Patrick Green of RSM Tenon Plc said that the need for consultants at various times in public sector organisations was acknowledged and that the report identified the different uses within the Authority. He highlighted the importance of formal rules of engagement to monitor use and protect services and to avoid areas of concern and said it was important to demonstrate transparency.

Ms. Amanda Hughes of Wales Audit Office said that the report clearly outlined where consultants were being employed for specific reasons and that it was important for all organisations to consider whether the value and recommendations were being acted on to ensure the engagement was a cost effective process. She added that more emphasis was required on monitoring consultants rather than the appointment process.

Councillor P.R. Pemberton asked about checking of consultants' fees and asked if it would be best to employ someone rather than regularly use consultants. The Chief Executive said that although there were areas of good practice across the Council, there was not a consistent approach and that a more robust process and register was required to make a transparent case for consultants. In a competitive tender situation, cost was a significant factor but would be evaluated along with other factors such as track record. Consultants were generally required over the short-term and should not generally be employed where there was a long-term requirement. It was also important that consultants leaving the organisation transferred skills to employees wherever possible, as was the case with a consultant on LEAN working practices.

On collaborative working, Councillor Q.R.H. Dodd asked if Directors had exchanged dialogue with their counterparts at other Authorities on skills sets and software availability. The Chief Executive reported an increased level of sharing

expertise in Legal Services, Environmental Protection, ICT and software with scope for more and said that the information provided in the following agenda item indicated that 35% of consultancy projects were funded either regionally or nationally.

The Director of Environment remarked that regional work on minerals and waste planning and a proposed review of transport and fleet issues were good examples of collaborative work to reduce the amount of consultancy support between Authorities. The Director of Community Services cited two further examples as the joint Housing Strategy workshop with Wrexham County Borough Council using external capacity and the regional commissioning hub with officers at Denbighshire County Council.

RESOLVED:

That the results of the work carried out on the controls around the use of consultants and the reasons for the delays in updating Flintshire CPRs be noted.

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

RESOLVED:

That the press and public be excluded from the meeting as the following item was considered to be exempt by virtue of paragraph 14 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

49. CONSULTANTS - ANALYSIS OF SIGNIFICANT EXPENDITURE

The Internal Audit Manager introduced the report to provide further analysis of the consultants used during the second half of 2010/11 as requested at the Committee's meeting in November 2011. A list of consultants used by the Authority showing type and cost of work was appended to the report, together with a more detailed breakdown for each Directorate.

The Chief Executive remarked on the previous agenda item on consultants' tracking and said that much could be learnt from this to adopt a more robust approach. He said that a great deal of work had been involved in collating the information provided in the breakdown which included a column indicating whether each appointment had provided value for money. He continued that the collective view was that the Authority did not overuse consultants and referred to comments by Wales Audit Office colleagues that Flintshire was under-capacitated compared to other Authorities. It was important to note that 35% of projects were funded with other parties, as referred to under the previous agenda item, and that projects listed for Human Resources were all time-limited.

In response to a question from Councillor A.M. Halford, the Director of Lifelong Learning explained that there were a number of different workstrands to the regional transport project involving significant savings across six Local

Authorities. The start of the project had been on education transport costs and had since passed to Environment.

Councillor Halford commented on the cost of LEAN training and asked if the Housing ballot process was being funded by the Welsh Government (WG). The Chief Executive said that the LEAN training was for improvements in services such as voids and repairs with the outcome of skilled employees and that this was now being run almost independently of external support. The Housing ballot process was included in the externally funded projects mentioned earlier, to be reimbursed fully by WG.

Councillor M.J. Peers felt it would be easier to understand and compare the figures if they were based on working hours. The Chief Executive explained the complexity with some of the figures but said that this could be developed as part of the final evaluation. The Director of Environment said that most consultants were engaged on an hourly basis but that the fees shown did not necessarily cover the entire cost of the project, eg officer time.

In response to queries on Single Status by Councillor P.R. Pemberton, the Head of Human Resources & Organisational Development said that a project manager had been engaged through an agency and specific work undertaken by five job evaluation experts on the conventions review and panels. The Chief Executive added that a revised timetable had been adopted following a review of the package and that support would be kept until at least the projected Single Status implementation date of October 2012.

Councillor B. Mullin asked if consultancy contracts could be terminated if the support was ineffective. The Chief Executive said that this depended on the arrangement and how the appointment was made. However, generally no long-term commitment was given and longer-term contracts were sometimes renewed on review against the needs of the Council for continued support.

RESOLVED:

That the results of the analysis of the use of consultants during the second half of 2010/11 be noted.

50. DURATION OF MEETING

The meeting commenced at 2.00pm. and finished at 4.45pm.

51. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were two members of the press in attendance.

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Chairman

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

AUDIT COMMITTEE	DATE: 14 DECEMBER 2011
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MEMBER	ITEM	MIN. NO. REFERS
NO DECLARATIONS OF INTEREST WERE MADE		

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 4

REPORT TO: **AUDIT COMMITTEE**
DATE : **30 JANUARY 2012**
REPORT BY: **DIRECTOR OF COMMUNITY SERVICES**
SUBJECT : **GALW GOFAL: FURTHER INFORMATION & LESSONS**
 LEARNT

1.00 PURPOSE OF REPORT

1.01 To provide members with an overview of lessons learnt from the process of developing the North Wales Regional Telecare Monitoring Service Project, Galw Gofal, and to provide further information in response to members' questions at the Audit Committee on 1 November 2011.

2.00 BACKGROUND

2.01 Galw Gofal is the North Wales Regional Telecare Monitoring Service which was formed from the merger of the three call monitoring centres previously based in Flintshire, Conwy and Ynys Mon and became operational on 1st June 2011.

2.02 In addition to its core business of monitoring the safety of vulnerable citizens, Galw Gofal also provides an outstanding call monitoring service for various services within the Council:

- Housing repairs
- Highways and Drains
- Public Buildings, e.g., Youth Clubs
- Public Protection, e.g., pest control
- Homelessness

3.00 CONSIDERATIONS

3.01 Initial concerns about the decision making process and communication to members and officers was raised at County Council on 13 September 2011. These were subsequently discussed at the Audit Committee on 1 November 2011 where further questions were raised about communication with service users and the public. The Audit Committee also asked for further information about areas which arose in discussion. These are now discussed in detail.

Communication of decision making

3.02 In July 2010, there had been an intention to take a report about Telecare to the Community and Housing Overview and Scrutiny Committee, but the report on the

Date: 20/01/2012

regional project, which was being prepared for all five local authorities by an adviser to the regional project was not ready at this stage. Members of the Community and Housing Overview and Scrutiny Committee held a meeting to discuss their forward work programme on 29th June 2010, but did not include Telecare.

- 3.03 A report on the proposed regional Telecare monitoring centre was presented to Executive on 19 October 2010. As the report contained information relating to consultation/negotiations on labour relations matter it was considered after exclusion of the press and public. The report gave full details about the proposed merger of the three call centres and the Executive agreed to endorse the proposal to create a single regional service and granted delegated authority to enable officers to deliver the new service. The report was not called in.
- 3.04 Whilst there was no intention to deliberately conceal information about the project, the fact that it was not taken to Overview and Scrutiny Committee for initial consideration and that it was, justifiably, a Part 2 report has raised some doubts with members. Therefore, a key lesson learnt is that where sensitive decisions about the transfer of council services is being made and respecting the need to keep certain facts confidential, then all relevant members should be consulted. For example, the regional hub for the commissioning of high cost placements in Social Services has been placed on the agenda for the Social & Health OSC on three separate occasions, to allow full discussion of the issues involved.
- 3.05 A full chronology of the decision making is attached as Appendix 1.

Communication about the new service

- 3.06 There were four key groups of people who needed to know about the changes - members, service users, the general public and officers.
- 3.07 Members were not informed when the service transferred and this was clearly an oversight. An obvious lesson learnt is that all members should be informed about such changes, both for their own information and in order to assist their constituents.
- 3.08 Officers at Flintshire Carelink informed vulnerable service users about the new arrangements in advance of the changes. They also made the general public aware through changes to the Council's publicity material, including the Council's website. A lesson learnt is that an item should have been placed in "Your Community Your Council", which would also have been an opportunity to publicise an improved service at a lower cost.
- 3.09 It has been suggested that service users should have been consulted before the transfer. This was not strictly necessary as the basic service itself remained unchanged and it could have raised anxieties. However, in retrospect, organisations representing the interests of vulnerable people, such as Age Concern, could have been consulted.

- 3.10 Information may not have been fully cascaded to all parties. In retrospect, a better approach may have been to call all relevant services to a meeting to explain the changes and answer questions. This could also have led to the development of a corporate contract earlier in the process. A learning point is that where major change affects a number of services, then an effective communication plan needs to be developed.
- 3.11 However there is no question that the formal decision making of the council to adopt the project was made correctly, within the constitution and legally.

Governance Arrangements

- 3.12 The Regional Programme Board for Social Services and Health includes housing related support within its remit and so it oversees the regional telecare project. The Executive Member for Social Services is a member of this Board, alongside the Director of Community Services.
- 3.13 Galw Gofal itself has an operational board with officers of all partner authorities in common with other operational service arrangements. Annual performance reports will be presented to the relevant scrutiny committees in each council in the partnership.

Regional Telecare Project Management Board

- 3.14 A chronology of the development of Galw Gofal is attached as Appendix 2.
- 3.15 Flintshire were represented on the Regional Telecare Project Management Board by the Head of Development & Resources, whose portfolio spans housing and social services and holds the lead for housing related support services, the Supporting People programme. The Project Manager for Telecare and Extra Care Housing development also attended the Board in an advisory capacity.
- 3.16 The Head of Development & Resources and the Project Manager reported back to a Community Services Telecare Board, which had representation from across housing and social services, including the Head of Housing and the Housing Operations Manager. Both the Head of Housing and the Housing Operations Manager attended the Board on occasions.

Corporate Contract

- 3.17 The contract price figure of £11,000 annually for services is broken down as follows:
- Housing Repairs: 6,000 estimated calls @ £1 per call = £6,000
 - Streetscene: 2,000 estimated calls @ £1 per call = £2,000 and £3,000 for initial input of data
- All other services have low estimated calls, therefore, Galw Gofal have absorbed these within the overall corporate contract.

- 3.18 The price for 2012/13 will be based on the actual calls in 2011/12. Galw Gofal will also review its £1 per call charge as part of a full review of its operating costs about its first year of operation.

Why was Flintshire not chosen as one of the locations for Galw Gofal?

- 3.19 Flintshire Carelink was based on a Chubb platform, whereas the other four counties were using Tunstall platforms. Therefore, it was decided to use Tunstall as the platform for Galw Gofal. This essentially ruled out Flintshire as it did not have the equipment to host the regional service, and other Councils were better placed to adopt the service.

4.00 RECOMMENDATIONS

- 4.01 Members note the lessons learnt in terms of decision making and communication in particular recognising that officers need to improve arrangements for future collaboration based on their learning.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None arising directly from this report

6.00 ANTI POVERTY IMPACT

- 6.01 None arising from this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None arising from this report.

8.00 EQUALITIES IMPACT

- 8.01 None arising directly from this report

9.00 PERSONNEL IMPLICATIONS

- 9.01 None arising directly from this report.

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

Contact Officer: Alan Butterworth
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E-Mail: alan_butterworth@flintshire.gov.uk

Appendix 1: Chronology of Flintshire Decision Making Process in relation to the development of Galw Gofal

Date	Committee	Comment
30 January 2007	Social & Health O&S	<p>Report from the Director of Adult Social Care and Interim Director of Community & Housing on the development of Telecare in Flintshire. The purpose of the report was to advise Members of the progress of the smart lodge and to advise the Members of the capital grant allocation to purchase Telecare, sensors and equipment available from WAG. It was resolved –</p> <ul style="list-style-type: none"> a) That Committee note the report b) That the Director of Adult Social Care provides a report to Committee outlining specific details of the proposal to re-design existing services for both the private and public sector. c) That officers provide written answers to the specific questions raised by a Member with a copy to the Committee d) That officers circulate a copy of the publicity material for Telecare to the Committee.
3 April 2007	Executive	<p>Consideration was given to a joint report of the Director of Adult Social Care and Interim Director of Community & Housing on the development of Telecare in Flintshire. It was decided:-</p> <ul style="list-style-type: none"> a) That the intention to claim the Telecare capital grant be noted. b) That the progress to develop joint working between Adult Social Care and Community & Housing to provide a comprehensive & consistent service for access to services, installation of equipment, response service when equipment activated and the collection and sharing of data and other relevant information be noted. c) That Flintshire's participation in a North Wales regional Telecare partnership board be supported and d) That developing an effective response would require the redesign of existing services be recognised.
4 August 2009	Executive	<p>Report by the Director of Community Services seeking approval for the vision to develop the North Wales Telecare service</p>

Date	Committee	Comment
		<p>on a regional basis and to agree a Flintshire position statement prior to further participation in the project. The Executive decided to endorse the vision to develop a regional Telecare service in North Wales and authorised its officers to work with the regional project team to develop and cost regional services for delivery to local people based on the Flintshire position statement set out in Appendix 3 of the report and that a further report be submitted to the Executive on the findings of that work.</p>
23 March 2010	Housing O&S	<p>The report on Neighbourhood Housing Team restructure made some reference to the regional project.</p>
June to September 2010	Scrutiny Committees	<p>There was a joint Community & Housing and Social & Health O&S Committee meeting on the 14 June 2010 where initially an item on Telecare was to be reported. In an exchange of e-mails on the 24 May 2010 Alan Butterworth advised that the item was not now going to the joint committee meeting but instead would only be going to the Community & Housing O&S meeting on the 6 July 2010. On the 29 June Alan advised that he was not preparing a Telecare report for the meeting on 6 July as it was being prepared by Steven Jones as a generic report for all six counties involved. Accordingly no Telecare item was included on the 6 July agenda. On the 29 June 2010 Community & Housing had a workshop to consider its forward work programme and decided not to include Telecare in it. This forward work programme was formally agreed and approved by the committee at its meeting on the 8 September 2010. The Telecare proposals were contained in performance reports to Community & Housing on the 23 June 2010 and 8 September 2010. Reference was also made to Telecare within the quarter for 2009/10 and quarter 1 2010/11 performance reports presented to Social & Health O&S.</p>
5 October 2010	LSG	<p>Steven Jones from the WLGA gave an overview of the proposals for a shared</p>

Date	Committee	Comment
		Telecare service and it was agreed that a report be submitted to the Executive.
19 October 2010	Executive	A report on the proposed regional Telecare monitoring centre was presented by the Director of Community Services. As the report contained information relating to consultation/negotiations on labour relations matter it was considered after exclusion of the press and public. The Executive agreed to endorse the proposal to create a single regional service and grant delegated authority to enable officers to deliver the new service.
26 January 2011	Housing O&S	Report on Strategic Housing Function and Retained Activities made reference to the regional project.
13 Sept 2011	County Council	A Notice of Motion was considered and referred to Audit Committee.
1 Nov 2011	Audit Committee	Audit Committee considered a report from the Director of Community Services on Galw Gofal regional call monitoring centre.

Appendix 2: Regional Telecare Project - Chronology

2006 – 2008

The Welsh Government provided all local authorities with a Telecare Grant to enable them to deploy and trial Telecare equipment as a component in care packages. This was to kickstart the use of Telecare and was introduced using the existing technology for community alarm services.

The first phase of the regional project was the delivery of a feasibility study that recommended the creation of a regional Telecare Service and the joint development of policies for the deployment, promotion, charging and revenue collection for Telecare Services.

The report also suggested that call monitoring, installation and maintenance of equipment should be managed on a regional, single service basis.

2009 - 2011

There was a consensus that call monitoring could be provided jointly on the basis of current joint service provision and potential economies of scale. This aspect of the project has led to the development of these proposals on the grounds of:

- Financial sustainability and cost
- Reducing the cost of future investment as services transition from basic community alarms to more advanced Assistive Technology Solutions in both Telecare and Telehealth.
- Quality and resilience of service
- Quality accreditations from the Telecare Standards Association (TSA) and Chartermark for customer services.

An initial business case was developed and a final version was agreed by the regional board in September 2010. Each of the five local authorities used its own processes for sign-up to the business case - Wrexham had already entered into an agreement with Chester Care at this stage. Once political support had been agreed, the Regional Board continued to work on the detailed business case.

Sub-groups addressed the following areas:

- HR
- IT
- Communication
- Finance
- Legal
- Operational

During this period, the following issues that particularly affected Flintshire were discussed:

- Finance model - should charges be calculated on calls or connections? - Flintshire had fewer calls per connection than the other four authorities, so

would have been disadvantaged if more weight was given to connections rather than call volume. A hybrid model was eventually agreed: 30% on connections, 70% on calls. Calls and connections were re-calculated at this stage - this included both carelink / telecare type calls and service out-of-hours calls. The Management Board was fully apprised of the additional services provided by Flintshire Carelink.

- Technology - Flintshire used a Chubb platform, whereas the other two centres used a Tunstall platform, therefore equipment testing was required to ensure compatibility.
- Location - A main site with a subsidiary site was agreed (2 sites builds in disaster recovery). Llangefni was preferred over Flint because of the technology issue.
- HR - fewer operatives would be required and as the agreed bases were in Conwy and Ynys Mon these would be less likely to be attractive to Flintshire staff. Agreement was reached to share redundancy costs.

Negotiations continued into 2011. A loan was negotiated from the Welsh Government's Invest to Save Fund to meet some of the up-front costs, e.g., redundancy payments. This is to be re-paid by 2013.

The service became operational in June 2011.

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 5

REPORT TO: **AUDIT COMMITTEE**
DATE : **30 JANUARY 2012**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **TREASURY MANAGEMENT POLICY AND STRATEGY**
 STATEMENT 2012/13

1.00 PURPOSE OF REPORT

- 1.01 To present the 2012/13 draft Treasury Management Policy and Strategy Statement for review prior to recommendation to Executive.
- 1.02 To provide an update on matters relating to the Council's Treasury Management policy, strategy and practices in 2011/12.
- 1.03 To provide an update on the Council's investment in Landsbanki.

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.

3.00 CONSIDERATIONS

3.01 Treasury Management Policy Statement 2012/13

The draft Policy and Strategy Statement ('Policy Statement') for the new financial year is attached for review and discussion. Prior to recommendation to Executive an explanation of the content of the Policy Statement and the approach to be recommended to Executive, and then Council, was covered in a training session for all Council Members on 17th January 2011.

Also attached for consideration of this Committee only, are the Treasury Management Practices. These are referred to in paragraph 3.8 of the Policy Statement. There are two documents - Part 1 The Main Principles and Part 2 Schedules. The Main Principles remain fundamentally unchanged from previous reports but for the minor changes required to comply with the new CIPFA Code of Practice for Treasury Management which are highlighted. The Schedules have been updated to reflect changes made within the Policy Statement outlined below.

Date: 20/01/2012

3.02 **Items for Member Scrutiny and Decision on the Policy Statement**

CIPFA have produced a revised Code of Practice for Treasury Management and the new Code of Practice will require formal adoption by the Council.

A Treasury Management Policy and Strategy Statement will need to be approved by the Council prior to the start of the new financial year which includes:-

- The Council's overall attitude to investment risk and return as demonstrated by investment criteria, methods used to measure security, investment limits and the planned course of action.
- Treasury Management Indicators.

3.03 **Policy Statement Content and Changes**

Paragraph 1

A broad summary of the Council's approach to Treasury Management.

Paragraph 2

A summary of the Treasury Management Framework within which the Council operates which this year makes reference to the new Code of Practice.

Paragraph 3.2

A commentary by Sterling Consultancy Services on the current challenging environment which forms the backdrop to the current cautious approach recommended to the Council.

Paragraph 3.3

This provides recommended investment strategy and limits to satisfy both the CIPFA Code and WG Guidance. The only change is to increase the limit of non specified investments from £30m to £50m to allow for the further utilisation of AAA rated Money Market Funds. This is needed because legislation in Wales treats Money Market Funds as capital expenditure, hence a non-specified investment. AAA rated Money Market Funds are currently being used instead of term deposits with Banks.

Paragraph 3.4

This outlines the planned investment strategy for 2012/13, although this year two options are provided, depending upon prevailing market conditions.

Paragraph 3.5 and 3.6

These paragraphs outline the planned borrowing strategy for the year which remains unchanged from previous years.

Paragraph 3.7

This includes the Treasury Management Indicators required by the Code and the changes are:-

- The authorised limit and operational boundary for debt is included but for information only.
- A new indicator 'upper limit on net debt' has been included which is a requirement of the new Code.
- The upper limit on variable interest rate exposures has been increased from £20m to £40m to allow for more flexibility on the management of investments and debt.
- Credit rating criteria for longer term investments has been added to recognise longer term credit risk.
- A policy on the use of derivatives is included to satisfy the new Code.

4.00 TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2011/12

4.01 An update was provided to the Committee in December 2011 and little has changed and is repeated here.

The sovereign debt crisis continues and our advisers, Sterling, have issued a 'red flag' on credit risk status, suggesting that cash should be kept at 'short notice' in order to react to any sudden deterioration in market conditions. Clearly, at this time, the balance of managing risk needs to be towards security and liquidity rather than return.

Since early September 2011, and in anticipation of a possible deterioration of market conditions, the following treasury practices have been followed for new deposits, which are all allowed for within the Policy Statement.

- Money 'on call' with banks
- Deposits with other local authorities
- Use of AAA rated Money Market Funds
- Use Debt Management Office (DMO - last resort)

A summary of the position as at 31st December 2011, compared with November 2011 is shown in the table below.

Deposit Type	Nov Value (£m)	Dec Value (£m)	Comment
Short Term Deposits	24.7	16.0	Includes £3.7m Landsbanki
Money 'on call'	9.2	8.2	Interest Rate 0.75% to 0.80%
Money Market Funds	20.3	24.5	Variable Interest Rate (0.68% - 0.78%)
Local Authorities	12.0	15.5	Long Term 1.3%/Short Term 0.3%
DMO	0.0	0.0	Interest Rate 0.25%
TOTAL	66.2	64.2	Average Interest Rate = 0.9%

There have been no changes to the Council's long term borrowing.

5.00 LANDSBANKI

5.01 We anticipate that court settlements in relation to our claims recognising and approving our claims as priority claims, following the decision of the Icelandic Supreme Court in the test cases, will be filed at and approved by, the Icelandic District Court within the next few weeks. The funds that are currently held in escrow accounts in respect of our portion of the first distribution to priority creditors will then be released to us.

6.00 RECOMMENDATIONS

6.01 Members are recommended to:-

1. Review the draft Treasury Management Policy and Strategy Statement 2012/13, including Treasury Management Indicators and make a recommendation to Executive on 21st February 2012.
2. Review the Treasury Management Practices 2012/13.
3. Note the position in relation to Treasury Management in 2011/12 and the Council's Investment in Landsbanki.

7.00 FINANCIAL IMPLICATIONS

7.01 None directly as a result of the Treasury Management Policy and Strategy Statement. The effect on Council budgets is reported and monitored through the Central Loans and Investment Account (CLIA).

8.00 ANTI-POVERTY IMPACT

8.01 None.

9.00 ENVIRONMENTAL IMPACT

9.01 None.

10.00 EQUALITIES IMPACT

10.01 None.

11.00 PERSONNEL IMPLICATIONS

11.01 None.

12.00 CONSULTATION REQUIRED

12.01 Sterling Consultancy Services.

13.00 CONSULTATION UNDERTAKEN

13.01 Sterling Consultancy Services.

13.00 BACKGROUND DOCUMENTS

13.01 (i) CIPFA Treasury Management in the Public Service Code of Practice 2011
(ii) WG Investment Guidance
(iii) Local Government Act 2008

14.00 APPENDICES

14.01 Appendix 1 - Treasury Management Policy and Strategy Statement 2012/13
Appendix 2 - Treasury Management Practices - Part 1 Main Principles 2012/13
Appendix 3 - Treasury Management Practices - Part 2 Schedules 2012/13

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

Various Treasury Management papers

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FLINTSHIRE COUNTY COUNCIL

DRAFT

TREASURY MANAGEMENT POLICY & STRATEGY STATEMENT

2012/13

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1.0 TREASURY MANAGEMENT POLICY STATEMENT

The Council defines the policies and objectives of its treasury management activities as follows: -

- 1.1 "The management of the authority's investments and 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".
- 1.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.
- 1.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 1.4 The Council greatly values revenue budget stability and will therefore borrow the majority of its long-term funding needs at long-term fixed rates of interest. Short-term and variable rate loans will only be borrowed to the extent that they either offset short-term and variable rate investments or can be shown to produce revenue savings.
- 1.5 The Council will set an affordable borrowing limit each year in compliance with the *Local Government Act 2003*, and will have regard to the *CIPFA Prudential Code for Capital Finance in Local Authorities* when setting that limit. It will also set limits on its exposure to changes to interest rates and limits on the maturity structure of its borrowing in the treasury management strategy report each year.
- 1.6 The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.
- 1.7 The Council will have regard to Welsh Government Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations in which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

2.0 BACKGROUND

- 2.1 In 2009, the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice 2009 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.
- 2.2 The Institute published a revised version of the CIPFA Code in November 2011 in light of the additional financial freedoms available to local authorities in the Localism Act 2011. The Council is therefore asked to formally adopt the Treasury Management in the Public Services: Code of Practice 2011 Edition. The new Code of Practice requires some amendments to the Council's Treasury Management Policy Statement and the Council is asked to formally adopt the new policy statement.
- 2.3 In addition, Welsh Government (WG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.
- 2.4 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and WG Guidance.
- 2.5 The treasury management framework within which councils operate 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.
- 2.6 CIPFA recommends 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.

3.0 TREASURY MANAGEMENT STRATEGY STATEMENT

3.1 Introduction

This Treasury Management Strategy Statement details the expected activities of the treasury function in 2012/13. The production and submission of the Treasury Management Policy and Strategy Statement to the Audit Committee for scrutiny, Executive and Council for approval is a requirement of the Council's Financial Procedure Rules. Its content is that recommended in CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) 2011 as adopted by County Council from 1st April 2011 and the Guidance from WG on Local Government Investments under section 15 (1) & 24 of the Local Government Act 2003.

The strategy covers:

- Economic Context
- Investment Strategy
- Borrowing Strategy;
- Treasury Management Indicators
- Other Treasury Issues

3.2 Economic Context – as provided by Sterling Consultancy Services

Economic Outlook – as at November 2011

The UK economy is continuing its weak recovery from the 2008/09 recession, with Gross Domestic Product (GDP) growth forecast to be around just 1.0% in 2011 and likely to remain sluggish throughout much of 2012. Government spending cuts, rising unemployment and uncertain export markets are conspiring to keep demand low, and a “double dip” recession cannot be ruled out. Consumer price inflation (CPI), which peaked at 5.2% in September, is expected to fall sharply as one-off factors like 2010’s VAT increase and fuel price rises fall out of the annual comparison.

In these circumstances, the Bank of England is unlikely to raise Bank Rate for several months, and additional quantitative easing is seen by many as being more likely than rate increases in the near future. However, once a more robust recovery appears to be taking root, the Bank is likely to prefer to gradually raise interest rates earlier, rather than waiting too late and needing to make a sharp correction.

The Eurozone sovereign debt crisis remains a major driver of market sentiment and with the UK seen a safe haven, gilt yields and hence PWLB rates have fallen markedly this year. Assuming that there is some resolution to the crisis, long-term rates are likely to climb back to more normal levels in 2012/13.

A second UK recession or a European sovereign default would see short and long term interest rates remaining lower for longer, while a faster economic recovery and a bold solution to the Eurozone crisis would likely see rates rise more quickly.

The Eurozone debt crisis prompted renewed caution by banks and other financial institutions, resulting in similar conditions to the 2008 credit crunch. The uncertainty regarding counterparty exposure to struggling Eurozone nations, particularly Greece, led banks to hoard cash, causing problems for those banks more reliant on wholesale funding. The problems were somewhat alleviated by central bank action, but bank funding levels remain elevated.

Interest rate forecasts

Sterling Consultancy Services central interest rate forecast – November 2011

	Bank Rate	1 month LIBOR	3 month LIBOR	12 month LIBOR	25 year PWLB
Current	0.50	0.73	1.01	1.79	4.06
Q1 2012	0.50	0.70	1.00	1.75	4.20
Q2 2012	0.50	0.70	1.00	1.70	4.40
Q3 2012	0.50	0.75	1.00	1.80	4.50
Q4 2012	0.75	0.85	1.05	1.90	4.50
H1 2013	1.00	1.10	1.25	2.00	4.60
H2 2013	1.50	1.60	1.75	2.50	4.70
H1 2014	2.00	2.10	2.25	3.00	4.80
H2 2014	2.50	2.60	2.75	3.50	4.90

HM Treasury Survey of Forecasts – November 2011

	Average annual Bank Rate %			
	2012	2013	2014	2015
Highest	1.1	2.6	3.0	3.7
Average	0.6	0.9	1.7	2.7
Lowest	0.5	0.5	0.9	1.4

3.3 Investment Strategy

3.3.1 The Council holds surplus funds which represent income received in advance of expenditure plus balances and reserves held. Both the CIPFA Code and WG 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.

3.3.2 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 Government (WG)'.

3.3.3 WG 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 incorporates the requirements into this Policy Statement. WG 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 of money borrowed in advance of need.

3.3.4 Specified Investments and Credit Risk

Specified investments are those expected to offer relatively high security and liquidity, and can be entered into with the minimum of formalities. WG guidance defines specified investments as those:

- Denominated in sterling
- Due to be repaid within 12 months of arrangement
- Not defined as capital expenditure by legislation
- Invested with one of the UK Government, UK Local Authority or a body awarded a high credit quality.

The Council defines the following as having a high credit quality:

	FITCH			MOODY'S			STANDARD & POORS		
Rating Type	UK & Overseas Banks	Building Societies		UK & Overseas Banks	Building Societies		UK & Overseas Banks	Building Societies	
Short Term	F1	F2		P1	P2		A-1	A-2	
Long Term	A	A-		A2	A3		A	A-	

NB: The definition of these credit ratings is included in the Treasury Management Practices.

- Investment decisions will be made based on ratings from the three credit rating agencies above. The Council is informed of credit rating changes by our advisers. If a counterparty no longer meets the investment criteria, no further investments will be made with that counterparty and consideration will be given to recalling the monies. If a counterparty is at risk of falling below the Council's criteria because it is on review for possible downgrade, no further investments will be made in that counterparty.
- Overseas banks must be from a country with a minimum rating of AA+ unless UK incorporated. Although they are subsidiaries of foreign banks they are incorporated in the UK, have substantial domestic operations and are subject to full oversight by the FSA.
- Sterling Consultancy Services (the Council's Treasury Management Advisors) will also inform the Head of Finance of any other market information that they have (e.g. credit default swap prices, news, reports and opinions). Full regard will be given to this information and no investments will be made with an organisation if there are substantive doubts about its credit quality even though it may meet the credit rating criteria.

Other limits for specified investments are:

- Counterparty limit of £7m (or 25% of total portfolio if balances are below £30m)
- Counterparty limit on lower and non-rated building societies is £5m.
- There is no sector limit on UK Government and UK Local Authorities, but a counterparty limit of £7m. applies for each local authority.
- Building Society Sector Limit of 60% of total investments
- A group of banks under the same ownership will be treated as a single organisation for limit purposes.
- Individual overseas country limit is £10m
- Total overseas sector limit is 25% of total portfolio.

Where investment limits are expressed as a percentage, these will apply at the time the investment is made.

Building Societies

UK Building Societies without credit ratings or those which are lower rated will be considered to be of 'high credit quality', but subject to a lower cash limit (£5m) and shorter time period than higher rated building societies in the table above. The Council takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Council's deposits would be paid out in preference to retail depositors. Investments in lower rated and unrated building societies will be reviewed if the insolvency regime is amended in future.

However, no investments will be made with building societies that hold a long term credit rating lower than BBB or equivalent, due to the increased likelihood of default implied by this rating.

The minimum asset size of the building society must be £1bn.

3.3.5 Non-specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies, nor any with low credit quality bodies, nor any that are defined as capital expenditure by legislation (such as company shares), with the exception of Money Market Funds. Current Welsh legislation provides that the purchase of shares in a money market fund by a local authority counts as capital expenditure.

The limits for these investments are as follows:-

- Deposits and government investments greater than 1 year (including forward deals): £20m

- Money Market Funds (AAA rated constant net asset value): £7m per fund

Each investment greater than 1 year is non-specified by definition and approval is required from the Head of Finance before such an investment is made. The total value of all non-specified investments will not exceed £50m.

3.3.6 Money Market Funds

Money market funds are pooled investment vehicles consisting of instruments similar to those used by the Council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council.

Investments in money market funds involve the acquisition of share capital, and are therefore counted as capital expenditure under WG regulations. However, since withdrawals from funds count as capital receipts, these will be used to fund the capital expenditure, leaving no overall impact on the Council's capital programme.

3.3.7 Liquidity of Investments (Non-specified by definition)

The amounts that can be prudently invested for longer than one year have been ascertained by estimating short term cash flow requirements. The maximum period of an investment will be 5 years.

3.3.8 External Fund Managers and Treasury Management Advisors

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, a recommendation will be made to Council via the Audit Committee and Executive.

Treasury management advisors are appointed via competitive tender which clearly states the services required. The contract period is usually 3 years with an option to extend. The Council's Contract Procedure Rules are applied.

The responsibility for decisions remains with the Council. Sterling Consultancy Services provide information and advice to assist the Head of Finance. Sterling Consultancy Services provide:

- Advice and guidance on relevant policies, strategies and reports
- Advice on credit ratings and changes.
- Other information on credit quality
- Advice on debt management decisions
- Forecast interest rates
- Accounting advice.

- A 'health check' on the Council's Treasury Management Practices
- Training courses
- Assist with other treasury issues on request.

The quality of the service is monitored by the Head of Finance and reviewed as part of the contract review process.

3.3.9 Investment Training

In house expertise is required which will be supported by advice from the treasury management advisors.

The Head of Finance is a member of CIPFA and as such must follow a Statement of Professional Practice (SOPP) and has a professional responsibility to ensure that relevant staff are appropriately trained.

All treasury officers are qualified to Association of Accountancy Technician Level as a minimum. Officer training is reviewed as part of the Council's Employee Appraisal Process. All officer training is recorded on a divisional database.

Flintshire County Council is a member of the CIPFA Treasury Management Network. Treasury officers receive weekly updates from the Network and attend seminars organised by the Network, as required.

Flintshire County Council is lead authority for the Clwyd Pension Fund. The Clwyd Pension Fund Manager is currently responsible for advising the Head of Finance in the discharge of her duties for the Council's treasury function and other duties outlined in Treasury Management Practices. The Clwyd Pension Fund Manager has received training to fulfil this role.

The Finance Function Review will be implemented during 2012/13 and responsibility for advising the Head of Finance will transfer from the Clwyd Pension Fund Manager to the Corporate Finance Manager. There will be a period of transition between the two members of the Senior Finance Team.

3.3.10 Investment of Money Borrowed in Advance of Need

The Council will only invest money borrowed in advance of need for known debt maturities or to finance the borrowing requirement for the year concerned.

3.4 Planned Investment Strategy for 2011/12

- 3.4.1 The current market conditions affect the creditworthiness of all organisations and this is not generally reflected in the credit ratings but can be seen in other market measures. The current approach is as follows:

- Money “on call” with banks
- Deposits with other local authorities
- Use of AAA rated Money Market Funds
- Use of Debt Management Office (DMO) as last resort

The extent to which these restrictions continue into 2012/13 will be in line with the prevailing market conditions. If these circumstances continue the estimated income is £460k. However, in the hope that market conditions improve, the planned strategy will return to the following approach.

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

- Short Term (less than 1 month) – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows.
- Medium Term (1 month – 12 months) - cash required to manage the annual seasonal cash flow.
- Long Term (1 year to 5 years) – cash not required to meet cash flows and used primarily to generate investment income.

3.4.3 Short term funds are required to meet cash flows in the next month or so, and preservation of capital and liquidity. Investment return is of limited concern. Instant access bank accounts or Money Market Funds will be the main method used to manage short term cash which should return base rate. Where limits are reached, the Government’s Debt Management Office could be used but rates will be lower than base rate. It is estimated that about 35% of surplus monies will be short term for cash flow purposes, although this may vary depending on changes to the interest rate yield curve.

3.4.4 Medium term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance on liquidity but slightly higher emphasis on yield. The majority of the investments will be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks. It is estimated that about 55% of surplus funds will be medium term. However, again this may vary depending on changes to the interest rate yield curve.

3.4.5 Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on returns that will support spending on local authority services. However, in the current economic and financial environment it is likely that only a small percentage, about 10% will be invested longer term, probably over two years in fixed term deposits or callable deposits. Another option will be to appoint an external manager to diversify into a wider range of instruments including certificates of deposits, treasury bills and gilts.

3.4.6 Assuming current interest rate forecasts quoted earlier in this Strategy Statement and a cash balance which is estimated to average around £64m,

by implementing this strategy income generated is estimated to be £640K. However, for reasons of prudence, the budget has been set at the lower estimate of £460k but progress of this strategy will be reported to Members quarterly and considered as part of the Council's revenue budgeting.

3.5 Borrowing Strategy

3.5.1 The Head of Finance will:

- Manage the Council's debt maturity profile, i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated in this Strategy Statement. Appendix A analyses the debt portfolio of the Council, as at 31st December, 2011.
- To effect borrowing required in 2012/13 at the cheapest cost commensurate with future risk based on interest rate forecasts.
- 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 this Strategy.
- Continue to monitor options for debt-restructuring and debt re-payment.

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

3.6 Planned Borrowing Strategy for 2012/13

The Council's debt portfolio position as at 31st December 2011 is:

	Type	Principal £m	Average Interest Rate** %
Fixed Rate Funding	PWLB	144.66	5.88%
Variable Rate Funding	PWLB	10.00	0.71%
	Market*	18.95	4.53%
Total Long Term Debt		173.61	5.43%

* The above market loans are LOBO's (Lenders Option, Borrowers Option) with had fixed interest rate periods of 12, 16 and 23 months followed by a 33, 34 and 35 year variable period, with an option in the variable period to repay the principal prior to maturity if the Lender increases the interest rate.

** If any debt re-structuring or repayment opportunities are implemented before 31st March 2012, this may impact on the average interest rate.

- 3.6.1 The efficient management of cash flow should mean that no short term borrowing is required unless as a short term measure during debt re-structuring, so it is assumed the cost of short term borrowing will be zero. The Council has an overdraft limit with the bank of £300,000.
- 3.6.2 The Council has nearly £174m of long term debt. Most of this debt is with the Public Loans Works Board (£154m of PWLB debt). Loans of £144.66m are at a fixed rate of interest which has the advantage of providing budget certainty. The interest payment on this debt is £8.5m per annum. A loan of £10 million is at a variable rate (currently 0.66%), which cost the Council £70k in 2011/12. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a formula based on current interest rates. There may be opportunities to re-structure debt in 2012/13 by replacing some higher rate loans with new loans at a lower rate where this will lead to an overall saving or reduce risk. However, given current expectations of interest rates, this is unlikely.
- 3.6.3 The remainder of the long term debt (£19m) has been borrowed from banks in the form of three LOBOs (Lenders Option, Borrowers Option). These have a short fixed interest rate period (which has now passed for these loans) followed by a longer variable rate period. There is an option for the Council to repay the loan during the variable rate period if the lender increases the interest rate. The advantage of using these loans is that the interest rate, during the fixed rate period especially, can be lower than the PWLB.
- 3.6.4 The interest cost on these loans is estimated to be £860K in 2012/13 but they are all in their variable rate period and the lender could increase the interest rate, albeit given the current expectations for interest rates this is unlikely.
- 3.6.5 For a number of years the Council has not taken any new long term borrowing and used cash reserves to fund capital expenditure. The Council's Capital Programme, including Prudential Borrowing will be reviewed to consider the most financially advantageous method of financing future debt. The situation is monitored on an on-going basis by the Head of Finance.
- 3.6.6 All the above is being considered as part of the Council's budget process for 2012/13.

3.7 Treasury Management Indicators

- 3.7.1 The key indicators proposed to be set by full Council are shown in the table below. The limits for 2013/14 and 2014/15 are indicative figures only and could be changed next year.
- 3.7.2 The Authorised Limit and Operational Boundary for external debt are Prudential Indicators and will be approved alongside the Capital Programme.

	2012/13 £m	2013/14 £m	2014/15 £m
Operational boundary – borrowing	186.0	189.5	191.5
Operational boundary – other long-term liabilities	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>
Operational boundary – TOTAL	188.2	191.7	193.7
Authorised limit – borrowing	206.0	209.5	211.5
Authorised limit – other long-term liabilities	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>
Authorised limit – TOTAL	208.2	211.7	213.7

3.7.3 Interest rate exposures are set to control the Council's exposure to interest rate risk. The upper limit on net debt indicator was introduced in 2011 and is intended to highlight where the Council borrows in advance of need. Since net debt does not change when loans are borrowed and the proceeds re-invested, it is not yet clear how this indicator will work. CIPFA has not yet produced guidance on its use, and so the Council is being asked to set a deliberately high limit this year.

Indicator Type	2012/13	2013/14	2014/15
Upper Limit on fixed interest rate exposures	£200m	£200m	£200m
Upper Limit on variable interest rate exposures	£40m	£40m	£40m
Upper Limit on net debt	100%	100%	100%

3.7.4 The table below proposes the upper and lower limits for the maturity of loans which are internally set so that no future year is left with a high level of repayments and controls exposure to re-financing risk. These limits are proposed for 2012/13, 2013/14 and 2014/15.

Upper and Lower Limits for maturity structure of borrowing	Lower Limit	Upper Limit
Under 12 months	0%	15%
12 months and within 24 months	0%	10%
24 months and within 5 years	0%	30%
5 years and within 10 years	0%	50%
10 years and above	10%	100%

3.7.5 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of investments.

Prudential limits for principal sums invested in periods longer than 364 days	£ 30 million
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This limit is proposed for 2012/13, 2013/14 and 2014/15

Long term investments will only be made with institutions of the highest credit quality as shown in the table below

		Time limit
Banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AA+	5 years
	AA	4 years
	AA-	3 years
	A+	2 years
	A	1 year

3.7.6 Policy on Use of Financial Derivatives

The Localism Act 2011 includes a general power competence that removes the uncertain legal position over English local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). Although this change does not apply to Wales, the latest CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

In the absence of any legislative power, the Council's policy is not to enter into standalone financial derivatives transactions such as swaps, forwards, futures and options. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

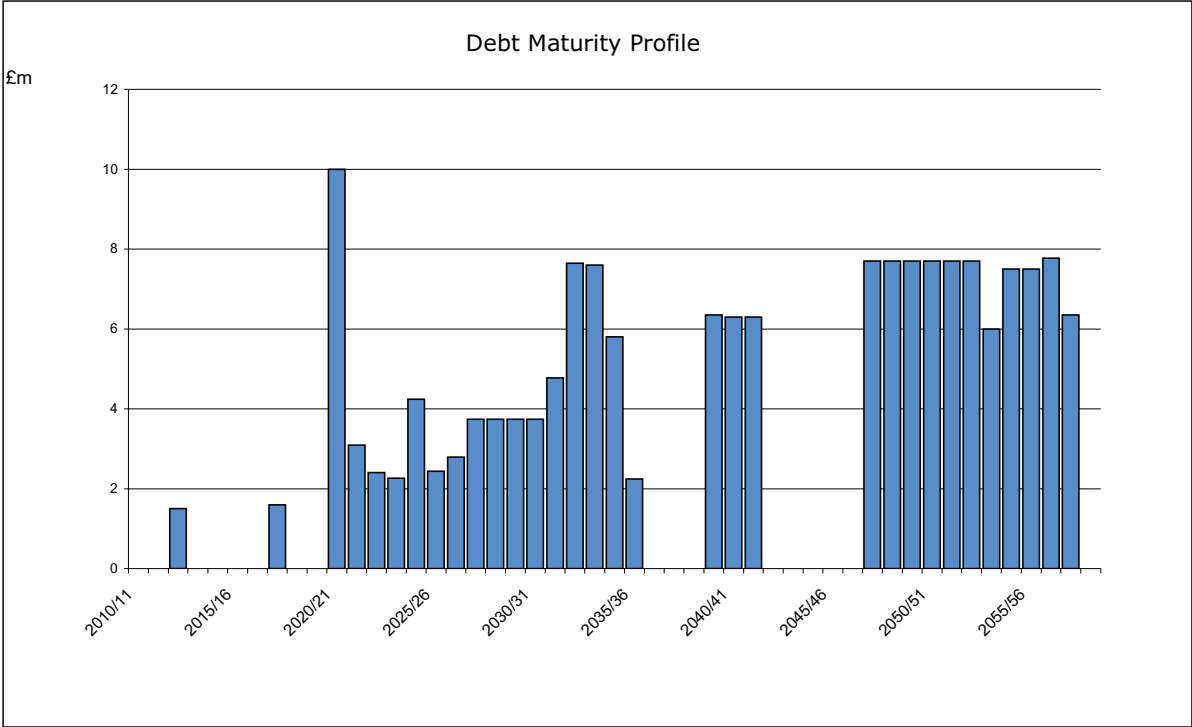
3.8 Other Treasury Issues

3.8.1 Treasury Management Practices (TMPs)

As part of the compliance with CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) 2011, the following TMPs have been documented:-

- TMP 1 Treasury Risk management
- TMP 2 Performance measurement
- TMP 3 Decision - making and analysis
- TMP 4 Approved instruments, methods and techniques
Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP 6 Reporting requirements and management information arrangements
- TMP 7 Budgeting, accounting and audit arrangements
- TMP 8 Cash and cash flow management
- TMP 9 Money laundering
- TMP 10 Staff training and qualifications
- TMP 11 Use of external service providers
- TMP 12 Corporate governance

APPENDIX A – DEBT MATURITY PROFILE



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TREASURY MANAGEMENT PRACTICES

Part 1: Main Principles

2012/13

Flintshire County Council

Treasury Management Practices 2012/13

TREASURY MANAGEMENT PRACTICES

Treasury Management Practices (TMPs) set out the manner in which this organisation will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

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TMP1 TREASURY RISK MANAGEMENT

The Head of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

[1] Credit and counterparty risk management

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

[2] Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

[3] Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirement and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Treasury Management Practices 2012/13

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

[4] Exchange rate risk management

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

[5] Refinancing risk management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

[6] Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1.1 credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

[7] Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[8] Market risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Treasury Management Practices 2012/13

TMP2 PERFORMANCE MEASUREMENT

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

TMP3 DECISION-MAKING AND ANALYSIS

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1, Risk management.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and

Treasury Management Practices 2012/13

controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Head of Finance will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Head of Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The Head of Finance will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The Head of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the Head of Finance in respect of treasury management are set out in the schedule to this document. The Head of Finance will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management.

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The County Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

In addition to the above, the Audit Committee will receive regular monitoring reports on treasury management activities and risks. Audit Committee will also have responsibility for the scrutiny of treasury management policies and practices.

Treasury Management Practices 2012/13

Treasury Management Indicators will be reported in the Policy Statement. The present arrangements and the form of these reports are detailed in the schedule to this document.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Head of Finance will prepare, and this organisation will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance Measurement, and TMP4 Approved instruments, methods and techniques. The Head of Finance will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Head of Finance, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Head of Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [1] liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

TMP10 STAFF TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to

Treasury Management Practices 2012/13

acquire and maintain an appropriate level of expertise, knowledge and skills. The Head of Finance will recommend and implement the necessary arrangements.

The Head of Finance will ensure that committee/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Head of Finance, and details of the current arrangements are set out in the schedule to this document.

TMP12 CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Head of Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

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TREASURY MANAGEMENT PRACTICES

Part 2: Schedules

2012/13

Flintshire County Council

Treasury Management Practice Schedules 2012/13

TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

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TMP1 RISK MANAGEMENT

1.1 Credit & Counterparty Policies

1.1.1. Criteria to be used for creating/managing approved counterparty lists/limits -

1. The Head of Finance will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.
2. Treasury Management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties. The complete list is available in the Funds Section. It should be noted that not all of these counterparties will be used. This depends on whether they are in the market at the time of investment and whether they are offering competitive rates.
3. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with (see also 1.1.3)
4. Credit ratings will be used as supplied from Fitch, Moody's and Standard & Poors credit rating agencies.
5. The minimum level of credit rating for an approved counterparty will be as follows: -

	FITCH		MOODY'S		STANDARD & POORS	
Rating Type	UK & Overseas Banks	Building Societies	UK & Overseas Banks	Building Societies	UK & Overseas Banks	Building Societies
Short Term	F1	F2	P1	P2	A-1	A-2
Long Term	A	A-	A2	A3	A	A-

A definition of the ratings can be found in appendix A.

6. In addition, UK Building Societies without credit ratings or those which are lower rated will be considered to be of 'high credit quality', but subject to a lower cash limit (£5m) and shorter time period than higher rated building societies in the table above. However, no investments will be made with building societies that hold a long term credit rating lower than BBB or equivalent, due to the increased likelihood of default implied by this rating. The minimum asset size of the building society must be £1bn. Due to the strong regulatory framework to which building societies must adhere, the additional risk is minimised and

Treasury Management Practice Schedules 2012/13

widening the scope for investment will maximise the investment return available.

7. The Council also has access to all UK local authorities, the Governments Debt Management Office (DMO) and AAA rated Money Market Funds (MMFs)
8. The maximum period for investments will be 5 years.
9. For rated banks and building societies, the maximum value for any one investment transaction will be £7 million or 25% of the total portfolio if balances fall below £30 million. For non-rated the limit will be £5 million or 10% of the total portfolio if balances fall below £30 million. The aim is to spread any risk over as many Counterparties as are available within the credit rating criteria.
10. A group of financial institutions under the same ownership will be treated as a single organisation for limit purposes with a maximum limit of £7m.
11. The maximum percentage of the portfolio which may be invested in the building society sector will be 60%.
12. The approved counterparty list may include non UK registered counterparties from foreign countries with a minimum sovereign rating of AA+. The individual overseas country limit will be £10 million. Total Overseas % of investment portfolio will be 25%.

*Overseas banks do not include UK incorporated banks e.g. Clydesdale. Although they are subsidiaries of foreign banks they are incorporated in the UK, have substantial domestic operations and are subject to full oversight by the FSA.

13. The sector limits are shown below –

UK banks	100%
Building Societies	60%
Overseas Banks	25%
Money Market Funds	100%
Debt Management Office (DMO)	100%

1.1.2. Approved methodology for changing limits and adding/removing counterparties

Credit ratings for individual counterparties can change at any time. The Head of Finance is responsible for applying the stated credit rating criteria in 1.1.1. for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or take-overs. The Head of Finance will also adjust lending limits and periods when there is a change in the credit ratings of individual

Treasury Management Practice Schedules 2012/13

counterparties or in banking structures e.g. on mergers or take-overs in accordance with the criteria in 1.1.1.

1.1.3. Details of Credit Rating Agencies' services or other services which provide current credit ratings and updates on changes.

- a. Ratings from the three agencies are updated monthly by Sterling; however, they will provide immediate notification of any changes which affect Flintshire County Council counterparties. If a counterparty no longer meets the investment criteria, no further investments will be made with that counterparty and consideration will be given to recalling the monies. If a counterparty is being reviewed for a possible downgrade outside the criteria no more investments will be made.
- b. Sterling will also inform the Head of Finance of any other market information that they have (e.g. Credit Default Swap prices, news reports and opinion, balance sheet analysis in the absence of credit ratings) which may require credit ratings to be overridden and no further investment to be made with that counterparty.

1.2 Liquidity

1.2.1 Amounts of approved minimum cash balances and short-term investments

- a. The Council manages its cash balances on a daily basis, dependent upon cash flow demands. The objective is to achieve a balance of +/- £300,000 each day by means of temporary investments and borrowing. Temporary investments are cash flow driven with the objective of ensuring that future temporary borrowing is minimised.

1.2.2 Details of:

- a. Standby facilities - Short-term borrowing undertaken
- b. Bank overdraft arrangements - authorised arrangement up to £300,000 overdrawn
- c. Short-term borrowing facilities - short term borrowing will be arranged for any overdrawn balance in excess of £200,000 through the money market if no call money is available
- d. Insurance/guarantee facilities - not required
- e. Other contingency arrangements - negotiations with the Council's bankers
- f. Call Accounts with limits of £7 million each (subject to ratings and sector limits)

1.3 Interest Rate

1.3.1. Details of approved interest rate exposure limits

- a. The upper limit on fixed interest rate exposures is £200 million
- b. The upper limit on variable interest rate exposures is £20 million

Treasury Management Practice Schedules 2012/13

1.3.2. Trigger points and other guidelines for managing changes to interest rate levels

- a. This is monitored in conjunction with the Council's treasury advisers, Sterling and through the London money market on a daily basis.
- b. The management of a balanced investment portfolio which retains a mix of long term investments (fixed rate) and shorter term (variable rate) investments which are variable to protect against interest risk.

1.4 Exchange Rate

1.4.1 Approved criteria for managing changes in exchange rate levels

- a. The Council does not make payments or receive foreign currency in sufficient levels that warrant currency management e.g. hedging

1.5 Refinancing

1.5.1. Debt/other capital financing maturity profiling, policies and practices.

- a. 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.

1.5.2. Projected capital investment requirements.

- a. The borrowing requirement is determined as part of the Capital Programme.

1.5.3. Policy concerning limits on revenue consequences of capital financing.

- a. This is part of the ongoing budget monitoring process

1.6 Legal & Regulatory

1.6.1. References to relevant statutes and regulations

- a. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Head of Finance to be satisfied, by reference to the Monitoring Officer, the Authority's legal department and external advisors as appropriate, that the proposed transaction does not breach statute, external regulations or the Authority's Financial Procedures.
- b. The Council's legal powers and regulatory requirements come from –
 - Local Government Act 2003
http://www.opsi.gov.uk/acts/acts2003/pdf/ukpga_20030026_en.pdf
 - Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (and subsequent amending regulations)

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http://www.opsi.gov.uk/legislation/wales/wsi2003/wsi_20033239_en.pdf

- Welsh Assembly Government “Guidance on Local Government Investments”
<http://wales.gov.uk/topics/localgovernment/publications/guideinvest/?jsessionid=mp3KKnDTyn91SG3PQvIFrpqnBVTnlXvyGH1pynJcCpJg5n9hL0tP!514291769?lang=en>
- CIPFA “Treasury Management in the Public Services Code of Practice”
- CIPFA “Prudential Code for Capital Finance in Local Authorities”

Hard copies are available in the Funds Section.

1.7 Fraud, error and corruption, and contingency management

1.7.1. Details of systems and procedures to be followed, including internet services.

- a. These are documented in the Treasury Management Operational Guidelines.

1.7.2. Emergency and contingency planning arrangements

- a. This process is currently under review.

1.7.3 Fraud, Error & Corruption.

- a. There is a system of internal control in place to prevent and identify fraud and error.
- b. Any issue identified will be immediately reported to the Head of Finance and Head of Internal Audit and subsequently to Audit Committee and Council.

1.8 Market Value of Investments

1.8.1. Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Government Issue Long Term Stock - GILTS, Certificates of Deposit - CDs, etc.)

- a. No current investments are held where capital values may be influenced by market movements and fluctuate.

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TMP 2 PERFORMANCE MEASUREMENT

2.1 Performance Measurement

2.1.1 The Council's Treasury Management Consultants recommended the following for use as benchmarks against which to compare performance. For investments, the most commonly used benchmark is the 3 month London Inter-Bank Bid (LIBID) rate.

2.1.2 In the annual Treasury Management Out-turn Report, investment and borrowing rates are analysed against the above recommended rates and with previous years.

2.1.3 Health checks are undertaken by the Council's Treasury Management Consultants.

2.1.4 The Council is a member of CIPFA's benchmarking club on Treasury Management

2.2 Value for Money

2.2.1 Frequency for reviewing and tendering for the following services:

- a. Banking services - tendered every 5 years
- b. Money-broking services - annual review
- c. Treasury Consultant services – tendered every 3 years
- d. External Cash Managers - none currently employed but this will be analysed as part of a continuous review.

2.3 Methods to be employed for measuring the performance of the organisation's Treasury Management activities

2.3.1 The Head of Finance will receive a monthly update on Treasury Management from the Clwyd Pension Fund Manager.

2.3.2 The performance of treasury management will be reported quarterly to the Audit Committee and then to Executive and Council in the mid year review Annual Out-turn Report using the performance measures outlined in 2.1.

2.4 Benchmarks and calculation methodology:

2.4.1 Debt management:

Average rate on all external debt	
Average rate on external debt borrowed in previous financial year	Average rate on
internal borrowing	
Average period to maturity of external debt	
Average period to maturity of new loans in previous year	

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2.4.2 Investment:

The performance of investment earnings will be measured against the following benchmarks: -

3 month LIBID rate

Indicative rates provided by the CIPFA Benchmarking Club on Treasury Management

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, borrowing, lending and new instruments/techniques:

3.1.1 Records to be kept:

- a. These are documented in the Treasury Management Operational Guidelines. All records are kept to provide a full audit trail for all Treasury decisions.

3.1.2 Processes to be pursued:

- a. All reports on Treasury Management issues are submitted to the Head of Finance for decision making

3.1.3 Issues to be addressed:

3.1.3.1. In respect of every decision made the Council will:

- a. Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b. Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c. Be content that the documentation is adequate both to deliver the Council's objectives and protect the organisation's interests, and to deliver good housekeeping
- d. Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e. Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

- a. Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- b. Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.

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- c. Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- d. Consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets.

3.1.3.3 In respect of investment decisions, the organisation will:

- a. Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- b. Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

3.1.4 Considerations to be made before each temporary borrowing and investment decision

3.1.4.1 Borrowing

- a. Are funds available in call accounts?
- b. Arrange temporary borrowing through a broker for the shortest period of time at the lowest rate of interest available.

3.1.4.2 Investing

- a. Establish funds available to be invested
- b. Establish a maturity date using cash flow and Sterling's weekly investment strategy
- c. Using the Ratings spreadsheet –
Check the limit for building societies (60% of portfolio)
Headroom available with each counterparty
- d. Check the credit ratings and other market information available for the chosen counterparty.
- e. Use a broker to find the highest rate of interest for the requirements above
- f. If after the above, funds still cannot be placed and call accounts are full, then invest with DMO.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved activities of the Treasury Management operation

All borrowing is undertaken in accordance with the Local Government Act 2003 section 1 and all investments undertaken in accordance with section 12.

The approved activities are:

- borrowing;
- lending;

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- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- leasing.

4.2 Approved Instruments for Borrowing

All borrowings are undertaken in line with the following approved loan instruments:-

- Public Works Loan Board (PWLB)
- European Investment Bank (EIB)
- Local Authorities
- Banks
- Building Societies
- Pension Funds
- Negotiable Bonds
- Stock Issues
- Internal sources
- Sterling commercial paper (for 7 days to 1 year)
- Sterling medium term notes (for 1 to 5 years)

4.3 Approved Instruments for Investments

The annual Treasury Management Strategy provides details of specified and non-specified investments and the maximum limits for each, as is required under Guidance issued by the Welsh Assembly. The approved investment instruments are

- Fixed Term Deposits
- Certificates of Deposit
- Bank Accounts (Instant Access & Notice Accounts)
- Pooled Investment Vehicles (Such as Money Market Funds)
- U.K. Treasury Bills
- U.K. Government Bonds (Gilts)

4.4 Approved Techniques

- Forward dealing up to 364 days;
- Callable deposits.

4.5 Approved methods and sources of raising capital finance

Finance will only be raised in accordance with the Prudential Code for Capital Finance, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet

Public Works Loan Board (PWLB)
European Investment Bank (EIB)
Local Authorities
Banks
Building Societies
Pension Funds
Stock issues
Negotiable Bonds
Internal sources (capital receipts & revenue balances)
Sterling commercial paper
Sterling medium term notes
Finance Leases

Off Balance Sheet

Deferred Purchase

Other Methods of Financing

Government and EC Capital Grants
Lottery monies
Private Finance Initiative (PFI)

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Head of Finance has delegated powers through this Policy and the Strategy to take the most appropriate form of borrowing from approved sources.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Limits to Responsibilities/Discretion at Committee/Executive levels

5.1.1 County Council

The Council is responsible for:-

- a. Receiving and reviewing reports on treasury management policies, practices and activities.
- b. Approval of annual policy and strategy.
- c. Approval of/amendments to the organisation's adopted clauses, treasury management policy and strategy.
- d. Budget consideration and approval.
- e. Approval of the division of responsibilities.

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5.1.2 Executive

The Executive is responsible for:

- a. Receiving reports from the Head of Finance informed by the deliberations of the Audit Committee on the implementation and regular monitoring of its treasury management policy, strategy and practices.
- b. Consideration of Treasury Policy and Strategy for approval by Council.

5.1.3 Audit Committee

The Audit Committee is responsible for –

- a. Reviewing the treasury management policy and practices and making recommendations to Executive.
- b. Receiving and reviewing regular monitoring reports.

5.2 Principles and practices concerning segregation of duties

Procedure	Regular	Trained in Absence
Cash Balances	Senior Officer (Funds)	Accountancy Technician/Accountancy Assistant
Dealing and Limit Calculations	Senior Officer (Funds)	Accountancy Technician/Accountancy Assistant
Logotech (TM reporting system)	Senior Officer (Funds)	Accountancy Technician/Accountancy Assistant
Dealing Internal Control Check	Accountancy Technician	Accountancy Assistant/Funds Manager
Dealing Authorisation	6 Authorised Bank Signatories (Head of Finance, Corporate Finance Manager, 4 Heads of Service)	
Funds Transfer Operators	Accountancy Assistant	5 Accountancy Technicians
Funds Transfer Approval	4 Principal Accountants	
Bankline (On Line Banking & Payments System) Administrators	Administration Manager	Business Support Officer

5.3 Statement of duties/responsibilities of each Treasury post

5.3.1 Head of Finance

- a. Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- b. Submitting regular treasury management policy and strategy reports.
- c. Submitting budgets and budget variations.
- d. Receiving and reviewing management information reports.

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- e. Reviewing the performance of the treasury management
- f. Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function.
- g. Ensuring the adequacy of internal audit and liaising with external audit
- h. Approving the selection of external service providers (within the Council's Contract Procedure Rules) and agreeing terms of appointment.

5.3.2 Clwyd Pension Fund Manager

- a. To deputise for the Head of Finance.
- b. To advise the Head of Finance in the discharge of his/her duties.
- c. Regularly review the Treasury Management function.
- d. Submitting management information reports to the Head of Finance.
- e. Drafting reports for Audit Committee, Executive and Council.
- f. Review a monthly report from the Funds Manager on the performance of the Treasury Management function.

5.3.3 Funds Manager

- a. Supervise treasury management staff
- b. Review the draft report on the performance of the Treasury Management function.
- c. Identify and recommend opportunities for improved practices.
- d. Ensure that the day to day activities accord with the Treasury Management Policy Statement and Practices

5.3.4 Senior Officer – Funds

- a. Execution of transactions
- b. Adhere to agreed policies and practices on a day-to-day basis
- c. Maintain relationships with counterparties and external service providers.
- d. Draft reports for Audit Committee, Executive and Council
- e. Produce cash flow projections and monitor performance.

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- f. Report on the performance of the Treasury Management function.

5.3.5 Other Officers

- a. To deputise as necessary for the above posts, adhering to their duties and responsibilities.

5.4 Dealing Limits

5.4.1 As outlined in 1.1 - Credit and Counterparty Policies

5.5 List of Approved Brokers

5.5.1 Four of the following five approved brokers are currently used by the Council (see 11.1.2).

- Garban Intercapital Limited
- Martin Brokers (UK) Plc
- Prebon Marshall Yamane (UK) Limited
- Sterling International Brokers Ltd (not currently used to avoid conflict of interest as advisors)
- Tradition (UK) Ltd

5.6 Policy on Brokers' Services

5.6.1 Reviewed annually

5.7 Policy on taping conversations

5.7.1 No conversations are currently taped

5.8 Direct Dealing Practices

5.8.1 This is undertaken as and when required to maximise investment return

5.9 Settlement transmission procedures

5.9.1 Standard Settlement Instructions

5.10 Documentation Requirements

- Flintshire CC Treasury Management Policy Statement.
- Flintshire CC Treasury Management Annual Outturn Report.
- Treasury Management Health checks.
- Loans and Treasury Management System Manual (LOGOTECH).
- Manual Diary and Cash Flow Statement (LOGOTECH).
- Money Market Dealing Form.
- Loans Outstanding Form / Limit Calculations.

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- List of Brokers and Telephone Numbers.
- Approved Counterparties (Regular update from Sterling).
- Outstanding and Matured Investments/Borrowing File.
- Previous TM Consultants Correspondence Files.
- Sterling Consultancy Services Correspondence File (TM Consultants).
- Treasury Management Operational Guidelines.
- Treasury Management (Long Term Borrowing) Operational Guidelines.

5.11 Arrangements concerning the management of third-party funds.

5.11.1 Third party funds are included in the net daily bank balance and the funds are utilised by the Council on that basis. Interest is paid as follows -

Education Trust Funds – base rate, annually

Optec Youth Exchange Fund – average monthly rate, quarterly

Insurance Fund – average seven day rate, annually

Education Delegated Fund – average seven day rate, annually

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 Annual Treasury Management Strategy Statement

6.1.1 The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be scrutinised by Audit Committee, submitted to the Executive and then to the County Council Committee for approval before the commencement of each financial year.

6.1.2 The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this organisation may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

6.1.3 The Treasury Management Strategy is concerned with the following elements:

- the prospects for interest rates;
- the limits placed by this organisation on treasury activities
- the expected borrowing strategy;
- the expected investment strategy;
- the expectations for debt rescheduling;
- any extraordinary treasury issue.
- Treasury Management Indicators.

6.1.4 The Treasury Management Strategy will establish the expected move in interest rates (using all available information such as published interest rate forecasts where applicable)..

6.2 Prudential Code for Capital Finance

6.2.1 In accordance with legislation, the Council is required to approve key indicators and limits for the Prudential Code for Capital Finance. These are listed below and reported in the Prudential Indicators Report.

- Estimates of Capital Expenditure
- Ratio of financing costs to net revenue stream
- Incremental impact of capital investment decisions on council tax/housing rents
- Capital financing requirement
- Authorised limit for external debt
- Operational Boundary for external debt

The following are within the Treasury Management Code.

- Upper limit on fixed interest rate exposures
- Upper limit on variable interest rate exposures
- Upper and lower limits for maturity structure of borrowing
- Limit for principal sums invested for periods longer than 364 days

6.2.2 The Head of Finance is responsible for incorporating the relevant limits for the Treasury Management Code into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Head of Finance shall submit the changes for scrutiny by the Audit Committee and recommendation by the Executive before submission to County Council for approval.

6.3 Annual Investment Strategy

6.3.1 The Welsh Assembly Government requires the documentation of an Annual Investment Strategy including the following:

- Specified Investments – Investments offering high security and liquidity
- Non-specified Investments – Investments with greater potential risk
- Investments which can be prudently committed for longer than 1 year.
- Credit Risk Assessment.
- Use of Investment Consultants.
- Investment Training.
- Investment money borrowed in advance of need.

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6.4 Annual Report on Treasury Management Activity

6.4.1 An annual report will be presented to the Audit Committee, Executive and then the County Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a comprehensive picture for the financial year of all treasury policies, plans, activities and results
- transactions executed and their revenue (current) effects
- report on risk implications of decisions taken and transactions executed
- monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- monitoring of compliance with powers delegated to officers
- degree of compliance with the original strategy and explanation of deviations
- explanation of future impact of decisions taken on the organisation
- measurements of performance
- report on compliance with CIPFA Code recommendations

The report will be subject to review by the Audit Committee

6.5 Mid-Year Review

6.5.1 A mid-year report will be presented to the Audit Committee, Executive and Council, which will include the following:

- activities undertaken
- variations (if any) from agreed policies/practices
- interim performance report
- regular monitoring
- monitoring of treasury management indicators for local authorities.

The report will be subject to review by the Audit Committee

6.6 Management Information Reports

6.6.1 The Funds Manager will report management information to the Clwyd Pension Fund Manager monthly for review. The Clwyd Pension Fund Manager will report monthly to the Head of Finance

6.7 Presentation of Reports

As a minimum:

The County Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year

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- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

In addition to the above, the Audit Committee and Executive will receive regular monitoring reports on treasury management activities and risks. Audit Committee will also have responsibility for the scrutiny of treasury management policies and practices.

Treasury Management Indicators will be reported in the Policy Statement.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/ Regulatory Requirements

7.1.1 The Treasury Management part of the statement of accounts has been prepared in accordance with the accounting policies applicable to local authorities.

7.2 Accounting Practices and Standards

7.2.1 The accounts are prepared in accordance with the CIPFA Treasury Management in the Public Sector Code of Practice, supported by guidance notes on the application of accounting standards.

7.3 Information passed to Head of Corporate & Capital Accounting

7.3.1 Information showing original budget for investment income compared to actual achieved with forecast is to be passed the Head of Corporate & Capital Accounting on a monthly basis.

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 Arrangements for preparing/submitted cash flow statements

8.1.1 Annual cash flow prepared before the start of the financial year and updated throughout the year

8.2 Content and frequency of cash flow budgets

8.2.1 All known cash flow factors are included for the coming financial year

8.3 Listing of sources of information

8.3.1 Correspondence from external organisations and internal departments, together with various information extracted from the Annual Budget Book.

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External –

Welsh Assembly
North Wales Police Authority
North Wales Fire Authority

Internal –

Payroll
Pensions
Council Tax
Creditors

8.4 Bank statement procedures

8.4.1 All bank statement information is obtained electronically from the NatWest Bankline website.

8.5 Procedures for banking of funds

8.5.1 All day to day treasury management transactions are paid and received by the Clearing House Automated Payments System (CHAPS).

8.6 Cash Flow Management

8.6.1 Arrangements as detailed in section 3.1.4

8.7 Debtors and Creditors

8.7.1 Debtors and Creditors are monitored so that any significant moves can be prepared for. Creditors provide warning of payments 2 days in advance.

TMP 9 MONEY LAUNDERING

9.1 Procedures for establishing identity/authenticity of Lenders

9.1.1 The Council does not accept loans from individuals. All loans are obtained from the PWLB or from authorised institutions on the FSA Register which is a public record of financial service firms, individuals and other bodies which fall under its regulatory jurisdiction as defined in the Financial Services & Markets Act 2000 (FSMA). This Act came into force on 1st December 2001.

9.1.2 Any borrowing undertaken from the money markets is through money brokers, who are also authorised and regulated by the Financial Services Authority. This adds a further layer of protection as the broker vets the institutions involved in any transactions.

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TMP 10 STAFF TRAINING AND QUALIFICATIONS

10.1 Details of approved training courses

10.1.1 Reviewed as part of the annual Employee Appraisal process. Sterling also provide training on treasury issues to staff when required.

10.1.2 Flintshire County Council is a member of the CIPFA Treasury Management Network. Treasury officers receive weekly updates from the Network and attend seminars organised by the Network, as required.

10.2 Records of training received by Treasury staff

10.2.1 All training is recorded on a departmental database.

10.3 Approved qualifications for Treasury staff

10.3.1 All treasury officers are qualified to AAT Technician level as a minimum.

10.3.2 Flintshire County Council is lead authority for the Clwyd Pension Fund. The Clwyd Pension Fund Manager is responsible for advising the Head of Finance in the discharge of her duties for the Council's Treasury function and other duties outlined in Treasury Management Practices. The Clwyd Pension Fund Manager has received training to fulfil this role.

10.4 Training of Members

10.4.1 Audit Committee Members will receive a quarterly Treasury Management report and training will be given as required. Other Members will be invited to attend training and receive Treasury reports as outlined in these Practices.

10.5 Statement of Professional Practice (SOPP)

10.5.1 Where the Head of Finance is a member of CIPFA, there is a professional need for the Head of Finance to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

10.5.2 Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 Details of contracts with Service Providers, including Bankers, Brokers, Consultants & Advisers

11.1.1 Banking services:

- National Westminster Bank Plc
- Contract commenced June 2008 to run for 5 years.

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- Cost of core service - £35,000 p.a.
- Payments due on an ongoing basis throughout the year

11.1.2 Money-broking services:

The following money market brokers services are utilised for day to day transactions as and when required.

- Garban Intercapital plc
- Martin Brokers (UK) plc
- Prebon Marshall Yamane (UK) Limited
- Tradition UK Limited

11.1.3 Treasury Consultant services:

- Sterling Consultancy Services
- Contract commenced 1st May 2010 for 3 years with the option to extend for a further 2 years.
- Cost of service - £8,800 plus VAT per annum
- Payments due quarterly

11.2 Procedures and frequency for tendering services

11.2.1 See TMP2 Performance Measurement section (2.2.1) for full details of services tendered. The process must comply with the Council's Contract Procedure rules.

TMP 12 CORPORATE GOVERNANCE

12.1 List of documents to be made available for public inspection

12.1.1 Treasury Management Policy & Strategy Statement

12.1.2 Treasury Management Mid Year Report

12.1.3 Treasury Management Annual Out-turn Report

APPENDIX A

Definition of Ratings

Fitch Short Term

- **F1+** - Best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment
- **F1** - Best quality grade, indicating strong capacity of obligor to meet its financial commitment
- **F2** - Good quality grade with satisfactory capacity of obligor to meet its financial commitment

Fitch Long Term

- **AAA** - Highest credit quality. Rating denotes the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. The capacity is highly unlikely to be adversely affected by foreseeable events.
- **AA** - Very high credit quality. Rating denotes expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
- **A** - High credit quality. Rating denotes expectation of low credit risk. The capacity for payment of financial commitments is considered strong. The capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
- **BBB** - Good quality rating. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

The modifiers "+" & "-" may be appended to any of the ratings above to denote a relative status within major categories.

Moody's Short Term

- **P1** Issuers have a superior ability to repay short-term debt obligations
- **P2** Issuers have a strong ability to repay short-term debt obligations

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Moody's Long Term

- **Aaa** - Judged to be one of the highest quality, with minimal credit risk
- **Aa** - Judged to be of high quality and are subject to very low credit risk
- **A** - Considered upper-medium grade and are subject to low credit risk
- **Baa** - Offers adequate credit quality. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time.

Moody's appends numerical modifiers 1, 2 and 3 to each rating classification. 1 indicates that the obligation ranks in the higher end of its category, 2 mid-range and 3 a ranking in the lower end of that category.

Standard & Poors Short Term

- **A-1** - A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.
- **A-2** - A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

Standard & Poors Long Term

- **AAA** - An obligor rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
- **AA** - An obligor rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
- **A** - An obligor rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.
- **BBB** - An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Plus (+) or minus (-) The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 6

REPORT TO: **AUDIT COMMITTEE**
DATE : **30 JANUARY 2012**
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. These reports now include details of the findings that gave rise to the recommendations.

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 indicators with a result outside the target times, an explanation has been gained and is noted in Appendix B. Delays have mostly been caused by the need for further discussions.

3.04 Details are also given of five draft reports currently outstanding outside the target times. Where possible reasons for the delays have been obtained.

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: 20/01/2012

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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APPENDIX A

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
FD0090P1	Capital Programme	Limited	0	12	2
FD0140R1	Insurance	Adequate	0	5	5
FD0040R1	MTFS	N/A	1	7	1
FL0080P1	Main Accounting	Limited	1	10	17
LD0220P1	Data Protection	Limited	2	3	0
HR0210R1	Absence Management	Adequate	2	2	3
IT0100R1	Technical Projects (LAN & WAN)	Substantial	0	0	1
IT0110R1	Technical Projects (IT0110R1)	Substantial	0	0	0
LL1010P1	School Budgetary Control	Limited	0	3	6
CS0040R1	Childcare Development and Family Information Service	Adequate	0	3	5
CS0130R1	Registration of Charges follow up	Good	0	2	1
EN0090R1	Carbon Reduction Commitment	Adequate	0	3	4
EN0100R1	Fees & Income Maximisation	Adequate	0	5	0
EN0120R1	Rural Dev Plan – Rural Flintshire Tourism Grant	n/a	0	4	0
	Investigation Report				
OA9075R1	Redundancy	N/A	0	3	0

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

Capital Programme – FD0090P1

We have made twelve significant recommendations arising from the following:

- The Authority does not have a formal policy on unsupported prudential borrowing.
- Services have not developed capital plans as part of their service planning.
- Capital project management needs to be enhanced and better controlled.
- The capital programme is not underpinned by robust delivery plans.
- There are not clear linkages between the plans and strategies which ensure a joined up approach to capital planning.
- Financial procedure rules do not provide an adequate framework for capital programme development and management.
- Opportunities for greater engagement of Members in capital programme development and monitoring should be considered.
- Capital resource availability is not addressed in a comprehensive manner and as a consequence there is a risk that resources are not maximised.
- The approach to setting and monitoring prudential indicators does not ensure that they are used as an effective tool to inform capital investment strategies. Staff and members would benefit from specific training on the Prudential Code.
- The responsibilities for capital strategy and programme delivery have not been clearly assigned to individuals, CMT, CAMG and Directorates.
- Relatively few capital project bids make it onto the capital programme although a significant amount of officer effort is taken in preparing and scoring each bid.
- Virement of capital budgets is not adequately controlled.

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
1	<p>The Council should develop and formally document its capital strategy which considers all aspects of capital expenditure within the Authority and which is an overarching and comprehensive planning document for capital investment.</p> <p>There should be explicit links between the Authority's asset management plans and medium term financial plans and capital strategies which can be demonstrated in practice.</p> <p>Capital risk management arrangements should be established.</p> <p>There needs to be a clear member approval and scrutiny mechanism for the Authority's Asset Management Plans.</p>	Significant	Y	<p>The development of a Capital Strategy and 10 year Capital Programme is in progress as part of the 2012/13 budget planning.</p> <p>An initial Member Workshop was held on 1st December 2011 and will be followed by further discussion in the early new year (2012).</p>	31.10.12	Head of Finance and Director of Environment
2	Financial Procedure rules relating to capital should be updated and strengthened to include specific guidance on capital including the Prudential Code.	Significant	Y	Will follow the development of the Capital Strategy	30.12.12	Head of Finance

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
3	<p>CMT/Executive should consider how it can create opportunity for greater engagement of members in the capital programme development.</p> <p>Elected members should be provided with sufficient information on capital programme performance to enable them effectively scrutinise the delivery of the programme.</p>	Significant	Y	<p>All Members are now involved in the development of the Capital Programme. Inaugural Workshop was held on 1st December 2011.</p> <p>The format of capital monitoring reports has been improved from Month 4 of 2011/12 which is considered by Executive and CROSC on a quarterly basis. Further improvements will continue to be added.</p>	01.12.11 30.10.11	Head of Finance and Director of Environment
4	The priorities for capital investment over the medium term should be identified and the options for funding should be modelled.	Significant	Y	A draft schedule of priorities and funding options is being developed for Member consideration. (See 1 above)	31.10.12	Head of Finance and Director of Environment
5	<p>The Authority's policy on prudential borrowing should be strengthened and integrated with capital strategy; the policy should be considered and approved by members.</p> <p>Training should be provided to Senior Officers and Members on prudential borrowing to ensure that a consistent understanding exists of the benefits and potential risks.</p>	Significant	Y	<p>A protocol on Prudential Borrowing has been drafted. This will form the basis of a policy to support the Capital Strategy.</p> <p>Training is being provided on an ongoing basis as the Capital Strategy is developed. The first training opportunity was at the Workshop on 1st December 2011.</p>	31.10.12 01.12.11	Head of Finance

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
6	<p>The prudential indicators should be used as a key tool in deciding investment policy.</p> <p>The prudential indicators should meet the requirements of the Prudential Code.</p> <p>The Audit Committee should be the lead committee on the prudential indicators and appropriate training should be provided to members to enable them to discharge this duty.</p> <p>Members and officers should undertake training on prudential indicators to ensure that their purpose is fully understood.</p>	Significant	Y	<p>The use of Prudential Indicators as part of the investment policy and the need for training is accepted. Currently, responsibility is with the Executive who recommend to Council. The role of the Audit Committee is under review as part of the L.G. measure.</p> <p>The latest Accounting Code of Practice states <i>'The body that sets the budget for the local authority will usually be the full council of that local authority. Whether or not this is the case, the setting and revising of the prudential indicators should follow the same route as the setting and revising of the budget of the local authority'</i>.</p> <p>The 2012/13 Prudential Indicators will be set according to existing arrangements. A review will be undertaken in order to establish arrangements for the new Council.</p>	30.04.12	Head of Finance
7	<p>Responsibilities for capital programme management should be clearly designated.</p> <p>The remit and terms of reference of the CAMG should be reviewed and strengthened. Clear reporting requirements should be established to CMT/Executive and the membership should be reviewed. The group should operate formally with a forward work plan and be appropriately minuted.</p>	Significant	Y	<p>The development of the Capital Strategy and a 10 year programme along with improved programme management and reporting require a review of CAMG to ensure it can support the changed approach.</p>	30.07.12	Head of Finance and Director of Environment

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
8	Service Heads should be required to produce four year minimum capital plans. These should set out capital requirement, availability of grant funding, and outline the aims and objectives of projects.	Significant	Y	This will build on and provide more rigour to the current annual service planning process.	31.07.12	Head of Finance
9	An improved set of corporate processes for the evaluation and implementation of capital projects should be developed and encapsulated in a Capital Manual which is made available to all officers involved in the planning and delivery of capital projects. The Authority needs to adopt a more rigorous approach to project management. Investment decisions should be based on a business case supported by a formal approach to option appraisal. Staff training should be provided on options appraisal to officers who are responsible for submitting capital bids. Formal reviews of a sample of completed schemes should be undertaken and reported to the Corporate Asset Management Group.	Significant	Y	The work has already begun by the Director of Environment (with Finance support) visiting Directorates to review processes for programme and project management. The need for a training programme for staff related to various aspects of capital is recognised. This work needs to be built on, documented and training provided to link in with the new 10 year programme.	31.10.12	Head of Finance and Director of Environment
10	Senior Officers should consider whether the bidding process provides an effective mechanism for capital prioritisation. There should be much more rigorous entry requirements to the capital programme.	Significant	Y	The development of the Capital Strategy has started a move away from bidding to capital being linked to Council priorities. This will be developed further in conjunction with 9 above.	31.10.12	Head of Finance and Director of Environment

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
11	<p>A gateway review process should be introduced to ensure that every stage of the capital process is adequately controlled and ensure delivery of value for money for the Authority.</p> <p>A protocol should be developed to allocate the reserve to support feasibility and initial project assessments.</p>	Significant	Y	Will be developed in conjunction with 10 above.	31.10.12	Head of Finance and Director of Environment
17	<p>Virement should comply with the requirements of FPR 4. The process for capital virements should be tightened up with adequate approval mechanisms. Virements should be clearly listed in monitoring reports to ensure transparency.</p>	Significant	Y	A reminder will be issued to all Directorates on the need for compliance.	31.01.12	Head of Finance

Medium Term Financial Strategy - FD0040R1

We have made one fundamental and seven significant recommendations arising from the following:

- Risk management needs to be incorporated more fully into the Medium Term Financial Plan (MTFP).
- The Authority's key objectives need to be included in the Medium Term Financial Strategy.
- A full analysis of the financial implications of collaborative working needs to be completed.
- Much work is still to be completed on funding levels and requirements for schools.
- The pressures of Single Status and Supporting People Grant need to be incorporated in the Medium Term Financial Plan (MTFP).
- Assumptions used in the current MTFP require more detailed work and analysis.
- The budget process and service plans need to be prepare concurrently.
- More effective financial management of the MTFP and MTFP will be gained by the implementation of the recognised changes required to the budget process.

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
9	The MTFP makes reference under Business Processes within the Council Governance Framework, to risk management including the Strategic Assessment of Risks and Challenges (SARC). The MTFP does not give a comprehensive financial risk assessment for the	The MTFP would be enhanced by the inclusion of a full risk assessment to include key issues such as: - future available resources less than planned - pay awards and price inflation higher than assumed	Fundamental	As part of the ongoing budget strategy our approach has been to undertake trend and sensitivity analysis, and also to utilise national, regional and local intelligence. The inclusion of pressures in the MTFP has been done on risk management basis.	July 2012	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>Revenue and Capital Budget setting process to ensure that all risks and uncertainties affecting the Authority's financial position are identified.</p> <p>The MTFP as it currently stands does not incorporate risk management, but under the new process of using the corporate templates for recording pressures and efficiencies, assessments of risk are included and these will feed and update the MTFP.</p> <p>It is one of the key indicators for success within the Audit Commissions Good Practice checklist for 'Strategic financial management in councils' that a local authority has the ability to anticipate changing circumstances and manage financial risks. One characteristic that will demonstrate this is to have scenario plans which consider the best and worst case options and covers a wide range of financial and social challenges. One of the potential problems of failing to do this is that financial risks will only be managed in the short term.</p>	<ul style="list-style-type: none"> - future spending plans underestimated - anticipated efficiencies not achieved - revenue implications of capital programmes not fully anticipated. <p>The MTFP would benefit from the modelling of different scenarios using risk management and sensitivity analysis in order to clarify potential areas of funding/shortfall using different assumptions.</p>		<p>More formal inclusion of the above in the MTFS document can be considered as part of the agreed annual review.</p>		

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
3	<p>The draft MTFS produced in May 2011 detailed the Authority's ten key priorities. Subsequent to the comments raised in the Corporate Resources Overview & Scrutiny Committee, the updated MTFS does not contain the detail of the priorities but rather how they are set. The June 2011 version of the MTFS states that a revised set of priorities has been considered and will be classed as the 'Improvement Objectives'. These will be set out within the Improvement Plan and that performance against them will be evaluated and reported on twice yearly.</p> <p>Much work is currently being undertaken on the Directorate Plans which underpin the objective of achieving the Authority's priorities. The new templates for recording the pressures and efficiencies for each directorate require details of the contribution to the Council Plan, Service Plans and SARC. The template for pressures require the description of each pressure and intended objective/outcome of implementation, estimated</p>	<p>We recommend that the Authority's key priorities be restated in the MTFS to ensure a clear and integrated strategy that can demonstrate in financial terms how the Authority's key objectives can be delivered over the medium term.</p>	Significant	<p>Key priorities were not agreed in time for inclusion into the current MTFS as agreed by Council. The MTFS will be published annually and the approved list of Council Ppriorities can then be included.</p>	July 2012	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>costs over the next three years including employees cost implications and a risk assessment of alternative options (including 'Do Nothing'). The template for efficiencies requires a description of the efficiency and intended objective/ outcome of implementation, the estimated efficiency over the next three years and any revenue cost implications of t he implementation of the efficiency. The template also asks for any one-off capital costs of implementation if applicable and details of any employee cost efficiency. Details are required of impacts on other Directorates or Services and any identifiable risks associated with achieving the efficiency.</p>					

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
7	<p>Under the Schools Forum (Wales) Regulations 2003, every local authority must have a local schools budget forum, known as a schools forum. These are key to developing informed and confident dialogue between authorities and their schools on budgetary issues including schools' funding levels for the coming years, pressures on future years' budgets, changes to funding formula and reviewing contracts/service level agreements for services to schools. In addition the Authority has a delegated school service plan which feeds information to the MTFP.</p> <p>In terms of the current MTFP, it was reported that there is still detailed work to be carried out in this area which has been hindered in part by long term sickness issues. No assumptions have been made on reductions on budgets for schools.</p>	<p>It is recommended that work on funding levels for schools and financial projections in this area are completed as soon as possible to ensure the MTFP is relevant and up to date.</p>	<p>Significant</p>	<p>Work is underway to assess the Council's requirement to protect schools by 1% above the Block Grant amount transferred to the Welsh Government from Central Government.</p> <p>The MTFP is a live document and is regularly updated as changes are made to projections and assumptions.</p>	<p>March 2012</p>	<p>Corporate Finance Manager</p>

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
8	<p>Opportunities for collaborative working are listed in the MTFs but the Acting Head of Service Accounting reported that it is considered too early to project figures. These will be fed in to the MTFP when various projects are culminated, such as fees and charges and procurement for shared services. The management response to our recommendation in our Report of April 2011 that the MTFs should incorporate details of joint plans was that 'progress with joint plans and policy development will be driven by the North Wales Collaboration Programme Boards and the Flintshire Futures work plan this will be more medium to longer term.'</p>	<p>It is recommended that opportunities for collaborative working and a full analysis of the financial implications are competed as soon as possible to further enhance the MTFP and ensure that the projected medium term figures encompass all scenarios.</p>	Significant	<p>The Flintshire Futures Programme includes a list of all the local, regional and national collaborative opportunities being looked at. The financial implications of these initiatives will be built into the MTFP as soon as they are available.</p>	July 2012	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
10	<p>The Medium Term Financial Strategy as at June 2011 details the importance of monitoring and delivering the MTFS under paragraph 9. This is set out as a three way process:</p> <ul style="list-style-type: none"> - Regular reviews of the MTFS and the forecasts within the MTFP. - Achieving and demonstrating Value for Money. - Effective financial management. <p>Pivotal to the reviews are the forecasts of resources pressures and efficiencies emanating from the Directorates and the Service Plans. These are to be continually reviewed to ensure the projected figures are as accurate as possible. The new corporate templates for recording and assessing have just been completed by all the directorates and have been collated by the Acting Head of Service Accounting and reported at the CMT budget meeting on 4th July 2011. A further review of the findings is to be completed to ensure consistency of recording and a refined list of pressures and efficiencies is scheduled to be finalised.</p>	<p>In order to ensure the financial strategy underpinning the MTFS can be delivered effectively to achieve the key priorities, the Authority must ensure that stronger budgetary processes are enforced as soon as possible.</p>	Significant	It is anticipated that the implementation of the new finance structure will assist with this recommendation.	Ongoing	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>by the end of July 2011.</p> <p>Achieving and demonstrating value for money is more difficult. The MTFS sets out a model to use incorporating the three components of Economy, Efficiency and Effectiveness. It states that wherever possible, the Authority should always be striving to provide Optimum Service (High Performance and Low Cost).</p> <p>The MTFS describes having in place effective arrangements for financial management whilst recognising that improvements need to be made to the budget processes. Capacity to ensure that the strategy can be delivered through effective financial management is hoped to be achieved by the implementation of the Finance Function Review by the early autumn of 2011.</p>					

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
11	<p>The first draft of the MTFP excluded the pressures of Single Status and Supporting People Grant.</p> <p>Detailed costings on Single Status have still to be undertaken. An assumption of 5% of the current pay bill has been taken in line with other authorities.</p> <p>Indications on the level of funding for the Supporting People Grant have now been received (July 2011) and work has now to be completed including looking at the formulae and how it will work for the Authority.</p>	<p>Single Status and Supporting People are significant pressures that will have a significant impact on the MTFP. These need to be modelled with different scenarios to ensure that the Authority has adequately assessed the potential financial impacts.</p>	Significant	<p>Financial Modelling has already been done regarding a potential reduction in Supporting People Funding.</p> <p>Work has begun on single status financial modelling and this will be completed when the implementation date is finalised.</p>	July 2012	Corporate Finance Manager
14	<p>A fees and charges policy is currently being developed which when finalised will be incorporated within an updated MTFP.</p>	<p>A fees and charges policy needs to be formulated as soon as possible in order to facilitate the projections in the MTFP. The policy will need to be able to demonstrate how fees are to be optimised.</p>	Significant	<p>Deloitte's have been commissioned and have started work on the Fees and Charges Flintshire Futures Project.</p> <p>This project includes the production of a draft fees and charges policy.</p>	March 2012	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
15	The setting of the annual budgets and the completion of the Directorate Service Plans are not prepared concurrently. As the information contained within the service plans is key to how the budgets are to be directed, this does not facilitate an effective budget process. The new corporate templates for highlighting all pressures and efficiencies are comprehensive and very informative but these need to be completed by the beginning of the budget process to ensure a smooth and efficient planning system rather than having to revisit and update plans unnecessarily.	It is recommended that budgets and service plans are developed concurrently to further enhance financial management.	Significant	Improvements continue to be made on linking service planning and financial planning. However, to fully integrate them would require significant changes corporately regarding service planning/budget process arrangements.	Ongoing	Corporate Finance Manager

Main Accounting - FL0080P1

We have made one fundamental and ten significant recommendations arising from the following:

- The Authority does not have documented protocols for effective management and control of its earmarked (specific) reserves.
- There is limited evidence to support the monitoring of earmarked reserves for relevancy and adequacy.
- Current processes in place for monitoring income collection and the performance of credit control/debt recovery are not adequate.
- Payments made to contractors within the Construction Industry Scheme (CIS) are not fulfilling the necessary requirements.
- Journals are not all being correctly authorised prior to processing.
- Invoices passed for payment are not being checked thoroughly to avoid duplication.
- Historic data is not in place to justify and support each of the recovery rates used within the new bad debt provision.
- The new database for managing the write off of bad debts has not been implemented.
- Executive approval is not always requested for the use of all earmarked reserves.
- Executive approval is not always in place for all earmarked service balance carry forwards at the year end.
- Monitoring and reporting is not consistent around earmarked service balances.

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
20	A sample of 21 outstanding balances on the aged debtors' ledger was reviewed to ensure the appropriateness of the recovery action taken. The sample included 4 balances recommended for write off (WOF) and 7 balances on	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. The resource issues around the recovery of aged debtor balances less than 97 days old need to be	Fundamental	Within the Flintshire Programme is a review of the Council's Corporate Debt arrangements. Deloitte are undertaking this piece of work and will be producing a report on findings and making	31 st March 12	Revenues and Benefits Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>which recovery action had been suppressed at the request of the invoice issuing department.</p> <p>Testing identified;</p> <ul style="list-style-type: none"> - timely recovery action had not been taken against 8 of the 21 balances reviewed. <p>As a result 4 of these balances had been recommended for write off by the Corporate Debt Recovery team;</p> <ul style="list-style-type: none"> - inappropriate account suppressions were in place for 4 of the 21 balances reviewed (including an inappropriate 'Stop' marker); - Corporate Debt Recovery has limited information to enable effective collection of 1 of the 22 balances reviewed (salary overpayment). - 2 of the 22 invoices reviewed were considered to have been inappropriately raised and as such were considered to be unrecoverable. <p>In addition the review of outstanding balances identified inadequate periodic</p>	<p>resolved as a matter of priority. A statement of policy and an operational procedure should be developed for the management of suppressed accounts, which sets out;</p> <ul style="list-style-type: none"> - The criteria for suppressing an account; - The arrangements for monitoring and managing suppressed accounts; <p>The documentation that should be retained to ensure an adequate audit trail.</p> <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. A statement of policy and an operational procedure should be developed for the management of accounts with Stop Markers, which sets out;</p>		<p>recommendations where appropriate.</p>		

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>review of suppressed accounts; inadequate action taken to recover aged debtors less than £500 (with resources being directed towards 'quick wins', i.e. amounts over £500) and a high level of manual intervention required to correct ledger balances as a result of the inability of the system to accept direct debit payments for the payment of Community Services debt.</p>	<p>-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. <i>This is the same recommendation as made in September 2010.</i> <i>Management response:</i> <i>Since this audit was carried out, we have recruited a full-time member of staff to work alongside the current Corporate Debt Recovery Officer.</i> <i>We are also reviewing a large number of existing processes in order to deliver a more efficient, effective service.</i> <i>Resource requirements will be reviewed in full as part of the wider Finance Function Review.</i> <i>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</i></p>				

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
2	<p>A sample of 10 construction payments was tested at random. The test confirmed: -</p> <p>-3/10 had a VAT invoice which would be classed as the authenticated receipt.</p> <p>-7/10 did not have an authenticated receipt or VAT invoice.</p> <p>The payments were checked to masterpiece and the VAT sub ledger and confirmed that payments had been made to each contractor and the VAT had been reclaimed.</p> <p>Failure to provide an authenticated receipt or VAT invoice is an offence. The authenticated receipt procedure allows a supplier to issue an authenticated receipt for payment and</p>	<p><i>process for doing so and detailing future monitoring arrangements.</i></p> <p><i>Departments will be requested to carry out regular reviews of suppressed invoices and stop codes.</i></p> <p><i>Implementation Date: 31/3/2011</i></p> <p>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.</p> <p><i>This is the same recommendation as made in September 2010.</i></p> <p><i>Management Response:</i></p> <p><i>A review of procedures will be undertaken and appropriate (refresher) guidance provided to staff involved in related procedures.</i></p> <p><i>Implementation date: 31/10/2010</i></p>	Significant	Disappointed that, despite the work that has been done in this area, the rules relating to VAT invoices and authenticated receipts are not being correctly applied. Will review the procedures followed in the Directorates.	31 st March 12	Strategy & Technical

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
5	<p>removes the requirement to issue a normal VAT invoice. The procedure works by customers preparing receipts for supplies they receive and forwarding them to their suppliers with payment. The receipts are only valid for VAT purposes when the supplier has authenticated them.</p> <p>This issue was raised in our last review in 2009/10 and it was agreed that Management was to undertake a full review of the process. This appears not to have taken place.</p> <p>A review of the system highlighted the following concerns:</p> <p>There is a risk that input tax is claimed without authenticated receipts being obtained and not in compliance with HMRC VAT Notice 708. Officers in the directorates involved in the process do not have adequate knowledge of the process</p>	<p>All journals should be appropriately authorised prior to processing and show a clear</p>	<p>Significant</p>	<p>As part of the implementation of the new Corporate Finance structure the Finance Officer's Group has been</p>	<p>31st December 11</p>	<p>Corporate Finance Management</p>

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>processed in the last quarter of the financial year. The results of our testing are as follows:</p> <ul style="list-style-type: none"> - 11/20 journals did not have any evidence of the correct authorisation and segregation of duties. These journals were initiated from departments not using the standard Authority General Ledger Header Sheet. - 9/20 journals were correctly authorised and had clear separation of duties evidenced. - 18/20 journals were supported by backing documentation, although in 2 of these cases the full documentation to support the total journal amount was not present. - 2/20 journals had no supporting documentation attached, These related to an XJ journal in Finance and a TJ journal in the Environment directorate. - All journals tested agreed to the details in the General Ledger. 	<p>segregation of duties to ensure the integrity of information uploaded to the general ledger. Where header sheets are not used the journal should contain 2 signatures to show originator and processor.</p> <p>There should be an appropriate audit trail of information to support journals processed.</p> <p><i>The recommendation made in our previous report of September 2010 was;</i></p> <p><i>Manual journal forms must be fully completed and appropriately authorised by a senior officer before they can be processed on Masterpiece to ensure the reliability and integrity of information produced.</i></p> <p><i>The Council should also decide whether the use of a standard manual journal form is compulsory or up to the discretion of each directorate.</i></p> <p><i>Management Response;</i></p> <p><i>Agreed – this should be done as a matter of course. A reminder will be given to the Finance Officer Group.</i></p> <p><i>The issue of standard journal forms will also be debated and a recommendation made.</i></p>		<p>disbanded and replaced by the Corporate Finance Management Team. This team will be supplemented by an Accountant Practitioners Group.</p> <p>A reminder on the authorisation process and the need for clear working papers will be provided through (CFMT). A review of the adequacy of the manual journal form will be progressed through the Practitioners Group.</p>	30 th June 12	Team

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
14	<p>Idea software was used to produce a report of any potential duplication. The report highlighted a number of possible duplicate payments. Of the 10 selected to review we found that all were duplications and that 8 of these had been corrected. The total value of the duplications found amounted to £19,163.23. The total not as yet corrected amounts to £1,453.31.</p> <p>The reasons for the duplications are many. In some cases the wrong vendor ID has been incorrectly entered, copy invoices have been paid without proper checks on the original payment, the same vendor with different addresses have been paid and vendors with the same post code (for instance vendors located on the same industrial estates).</p> <p>In one case a payment has been made of the same invoice to two separate vendors that both deal with awards under the Duke of</p>	<p><i>Implementation Date: 30/6/2010</i></p> <p>Departments need to be reminded of their responsibilities of the importance of the thoroughness of checks on invoices passed for payment. All copy invoices should have the appropriate checks to ensure they haven't been paid previously. The coding of invoices to the correct vendor needs to be properly checked.</p>	Significant	A reminder of the checks required will be sent to all Directorates. Responsibility for Accounts Payable will be transferred to Corporate Finance as part of the Finance Function Review.	31 st March 12	Corporate Accounting and Systems.

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>Edinburgh Scheme. This payment was for £55.00 and paid to the Duke of Edinburgh scheme and Award Scheme Ltd.</p> <p>During the year the Authority has purchased new software from Fiscal Technologies to identify duplicate payments, duplicate vendors and highlight VAT irregularities. This was installed in March 2011 and the Systems and Performance Team are currently working on the reports produced covering the last two years' payments. This should be a useful tool in the future to track and correct duplicate payments. However it is important to keep focussed on the need to try and prevent duplications arising in the first instance and stricter departmental controls are required to minimise the risks.</p>					
22	<p>The methodology used by the Authority for bad debt provisioning has been revised during 2010/11. Initially a Consultant was brought in to review bad debt provisioning resulting in the</p>	<p>Historic data should be in place to justify and support each of the recovery rates used within the new bad debt provision providing a sound rationale for the change in the basis of calculation.</p>	Significant	<p>This will be considered as part of the corporate debt review assisted by Deloitte as per 20 above.</p>	31 st March 12	Revenues and Benefits Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>development of a methodology which met the requirements outlined by PwC in the ISA 260 report. The revised methodology involved a detailed and systematic review of invoices greater than 183 days overdue where aggregate account balances were greater than £2k (approximately 700 invoices) with specific provisions being assigned according to the level of impairment and risk profile (level of impairment objectively evaluated through information held on the Corporate Debt recovery system). Aggregate balances lower than £2k were then grouped together based on risk characteristics and age of the debt and collectively assessed for impairment based on estimates of historic recovery rates.</p> <p>Systems and Performance are now responsible for the management of the bad debt provision and the calculation of the figures for the 2010/11</p>					

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>year end. The methodology suggested by the Consultant has not been implemented in full as it is considered that there are inadequate resources to carry out a review of all aggregate account balances greater than £2k.</p> <p>Review of the actual bad debt provisioning methodology to be introduced at the 2010/11 year end confirms that the provision is not based on objective evidence of impairment and does not consider assets individually (the new methodology is instead based on anticipated recovery levels based on groups of balances with similar risk characteristics and general provisions based on overdue risk profiles).</p> <p>The basis of the new methodology was discussed with Wales Audit Office to ascertain whether it met the requirements of the Code of Practice on Local Authority Accounting in the UK (which has now superseded the</p>					

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
23	<p>SORP and associated Reporting Standards referred to by PwC).</p> <p>Wales Audit Office's main concern is that the calculation of the bad debt provision under the new methodology may be significantly different to the calculation on the historic basis, and if so they would expect to see a sound rationale for the change backed up by historic data to support each of the recovery rates used within the provision.</p> <p>PwC made reference to the difficulties in reconciling write offs on the write off register to the general ledger as a result of actual amounts being written off the ledger differing from the amount approved for write off by the Head of Finance (actual amounts written off may sometimes be lower than the level of authorised write off due to additional monies being received between the date of authorisation and the date of write off).</p> <p>Discussion with the Principal</p>	<p>In accordance with the recommendations made by PwC following the 08/09 year end audit it should be ensured that the new database for managing the write off of bad debts is implemented.</p> <p><i>This is the same recommendation made in our previous report.</i></p> <p><i>Management Response;</i></p> <p><i>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</i></p>	Significant	<p>Implementation of this database has been delayed due to ongoing commitments re FFR and the requirement for the Head of Finance to have a demo of the system.</p> <p>Implementing this system will not address the risk highlighted in this audit report but the implementation and adherence by all to a Corporate Debt Policy will - this is due for a full review as per the work undertaken by Deloitte referred to above.</p>	Ongoing	Revenues and Benefits Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	Systems and Performance Officer during the 2009/10 audit confirmed that the new database for the management of bad debt write offs was under development. The system is intended to automate the bad debt write off process, and will include a system of electronic authorisations and the generation of cash transfer (journal) sheets for electronic transfer to cashiers. At March 2011 the database is still not operational.	<i>relevant parties are happy that it meets all requirements.</i> <i>Implementation Date: 31/3/2011</i>				
24	There are no formally documented protocols in place to support the management and control of the specific reserve accounts balances (totalling £20.7m, including the single status / unequal pay reserve of £16.6m) on the March 2010 Balance Sheet. The Financial Procedure Rules do not make any reference to earmarked (specific) reserves or	For each earmarked (specific) reserve held by the Authority there should be a clear protocol setting out: The reason for / purpose of the reserve; How and when the reserve can be used; Procedures for the reserve's management and control; and A process and timescale for review of the reserve to ensure continuing relevance and adequacy.	Significant	A summary of all Earmarked Reserves is provided in the annual Budget Reports to Executive, in which the Head of Finance has to confirm that the level held is appropriate. Reference within the Finance Procedure rules will be looked at as part of the annual review.	31 st March 12	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
25	<p>earmarked service balances carried forward.</p> <p>Detailed testing of a sample of the earmarked (specific) reserve account balances on the March 2010 Balance Sheet confirmed that detailed analysis is in place to support each of the main balances (Insurance reserve - £1.45m; Supporting People reserve £1.026m; Waste Disposal reserve £0.894m).</p> <p>Whilst the adequacy of the Flintshire Insurance reserve (£1.3m) has been considered by the Authority's insurance brokers (Heath Lambert) and the Supporting People reserve is based on actual under spend of grant funding per the general ledger, there is limited evidence in place to</p>	<p>Detailed procedures and guidance for the creation, management and control of earmarked reserves should be included in the Financial Procedure Rules. In addition the Financial Procedure Rules should include references to the controls around the year end carry forward and subsequent spend of earmarked service balances.</p> <p>Each earmarked (specific) reserve account balance should be reviewed and formally considered for continuing relevance and adequacy at each Balance Sheet date.</p> <p>Any earmarked reserve account balances which are no longer considered to be relevant should be transferred to the general un-earmarked fund.</p>	Significant	A critical review of all reserves held has been undertaken in recent budget processes and a significant amount was transferred back to revenue. The relevance of all reserves will continue to be closely monitored as part of budget monitoring arrangements. To facilitate this, a reminder will be given to CFMT.	31 ST March 12	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>show that some of the smaller insurance reserve balances and the Waste Disposal reserve balance have been considered for continuing relevance or adequacy.</p> <p>The Insurance Fund reserve includes balances for Clwyd County Council £25k; Insurance reserve £40k and Environment 3rd party Insurance Claims £87k, these balances are not based on anticipated future costs against the funds / there is no formula in place for the determination of these balances, and there is no evidence that any of these balances have been formally considered for continuing relevance or adequacy at the Balance Sheet date.</p> <p>The Waste Disposal reserve was set up to meet the future costs of disposal of residual waste and stands at approximately £0.628m at 31/3/11. The reserve has been used to fund the costs of bringing AD Waste back in house and to fund the set up costs of the Residual Waste</p>					

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
26	<p>Treatment Partnership. Calculations provided by Service Accounting suggest that once the AD Waste and Residual Waste Treatment Partnership costs have been met the balance on the reserve account will remain at circa £0.5m.</p> <p>Whilst it is acknowledged that this residual balance will be used to fund future general and strategic waste related costs, there is no evidence that the residual element of the balance has been considered for continuing relevance at the 2010 or 2011 year end.</p> <p>The Insurance reserve (£1.45m at March 2010) is used to meet the cost of agreed excesses on Flintshire (and Clwyd County Council) insurance policies. The reserve has been in place since 1996 and represents the balance sheet value of the financial accounts prepared for each of the insurance funds. Due to the nature of the reserve Executive are not required to approve expenditure on a</p>	<p>Executive approval should be requested for the use of all earmarked (specific) reserves.</p> <p>Executive should be made aware of the use of the Waste Disposal reserve to fund circa £.300m of costs relating to the transfer of AD Waste.</p>	Significant	Executive approval is sought when a specific reserve is set up. It is not deemed necessary to request further approval to utilise the reserve. The use of the waste reserve will be incorporated into the final report to Executive when the liquidation of AD Waste is finalised.	30 th June 2012	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>payment by payment basis.</p> <p>The Supporting People reserve (£1.026m) represents the accumulative spend of the Supporting People grant. The spend has been set aside to meet the potential claw back of the unspent grant funding by WAG. To date this reserve has not been used.</p> <p>The Waste Disposal Reserve (£0.894m) is a reserve set up to meet the future costs of disposal of residual waste. The reserve has been used to fund the costs of bringing AD Waste back in house, and to fund Flintshire's contribution to the set up costs of the North Wales Residual Waste Treatment Partnership</p> <p>Executive approved use of the Waste Disposal reserve to fund Flintshire's share of the set up costs of the North Wales Residual Waste Treatment Partnership at a meeting on 19/2/2008.</p> <p>There is no evidence that Executive have approved the use of the Waste Disposal reserve to fund the costs of</p>					

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
27	<p>bringing AD Waste back in house. At March 2011 the AD Waste costs funded through the Waste Disposal reserve were in the region of £0.300m.</p> <p>A sample of earmarked service balances included in general reserves on the March 2010 Balance Sheet were reviewed.</p> <p>Environment earmarked service balances at March 2010 totalled £1.232m; evidence was found in the Executive reports of requests for approval of carry forward for £0.206m of this balance.</p> <p>There was no evidence in the Executive reports (at the March 2010 year end) to suggest that requests had been submitted to Executive to carry forward the remaining £1.026m of this balance.</p> <p>Corporate Strategy earmarked service balances at March 2010 totalled £0.270m; evidence was found in the Executive reports of requests for</p>	<p>Executive approval should be in place for all earmarked service balances carried forward at the year end (including unspent balances carried forward from previous year ends).</p>	<p>Significant</p>	<p>Requests for carry forward will be reported through the monthly budget monitoring report.</p>	<p>Ongoing</p>	<p>Finance Manager Corporate Accounting & Systems</p>

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>approval of carry forward for £0.233m of this balance. There was no evidence in the Executive reports (at the March 2010 year end) to suggest that requests had been submitted to Executive to carry forward the remaining £0.037m of this balance.</p> <p>It was noted that the unapproved carry forwards of £1.026m (Environment) and £0.037 (Corporate Strategy) were made up of unspent carry forward from previous years plus under spend of 2009/10 budget. There was evidence that Directorate Finance Managers had submitted carry forward requests to Service Accounting, but there was no evidence that these requests had been included in the monthly budget monitoring reports to Executive.</p>					
28	<p>Executive are not required to approve specific items of spend against earmarked service balances brought forward (as when Executive approve the carry forward they approve it for a specific</p>	<p>Guidance should be provided to Directorate Finance Officers re the level of monitoring and reporting which is required around earmarked service balances.</p>	Significant	This will be progressed through CFMT.	31 st March 12	Corporate Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>purpose; the Directorate Finance Managers are then responsible for ensuring that spend of earmarked service balances brought forward is in accordance with the Executive approval).</p> <p>Review of a sample of earmarked service balances carried forward at March 2010 identified a lack of consistency in the way that earmarked service balances are treated and monitored by the individual Directorate Finance Managers on carry forward into the new financial year.</p> <p>Directorate Finance Managers are required to transfer any earmarked service balances which are no longer required back to the general (un-earmarked) fund. There do not appear to be any controls in place to ensure that this happens, as a result earmarked services balances carried forward may be used to 'prop up' other areas of Directorate budget.</p> <p>There are no policies or procedures in place around the use of earmarked service</p>	<p>This would ensure there is a clear audit trail of spend against earmarked service balances (in accordance with the Executive approval) and ensure that any under spend against earmarked service balances is appropriately transferred back to the general (unearmarked) reserve.</p>				

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>balances and no guidance provided to Directorate Finance Officers around the treatment of earmarked service balances or the level of monitoring and reporting that is required around these balances.</p>					

Data Protection - LD0220P1

We have made two fundamental and three significant recommendations arising from the following:

- Introduce guidelines for the removal of confidential records.
- Ensure filing and archiving is up to date.
- All staff to receive data protection training.
- Standardised approach to the identification of files and review of the file movement cards.
- Inform Senior Managers across the Authority of their responsibilities with regard to the policy on Security of Documents containing Personal Information.

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
4	The case recording policy has been reviewed, although the procedure for the removal of confidential records has not been included. The Service Manager (Fieldwork) has made amendments to the policy. The policy has not been updated to reflect the amendments, but the Social Work Team Managers have been made aware of the amendments and it is their responsibility to inform their staff.	A procedure or guidelines should be introduced immediately for staff to follow when removing confidential records from the office environment. This has been recommended previously and it is important that it is introduced immediately.	Fundamental	Was discussed at SMT on 15/10/11, Officers identified the requirement for the addition of the guidelines and their implementation.	March 2012	Democracy and Governance Manager and Fieldwork Manager, Community Services

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
3	<p>The Auditor noted that the amendments required updating to include a version and a date, this was mentioned in an email issued to the Service Manager (Fieldwork), dated 26.07.11.</p> <p>The Children's Services Offices are due to be closed during December 2011.</p> <p>The future arrangements are yet to be finalised and the future location of the service is yet to be confirmed.</p> <p>At present the Neighbourhood Housing Manager is still responsible for the Management of the staff who file and archive the Children's files located at Connah's Quay.</p>	<p>As Connah's Quay Offices are due to be closed in December 2011, it is fundamental that the filing and archiving is fully up to date, prior to the closure of the Offices.</p>	Fundamental	Part of the closure plan.	Dec 2011	Democracy and Governance Manager and Fieldwork Manager, Community Services
5	<p>At present only a handful of Social Workers based at Connah's Quay have received data protection training.</p> <p>The nature of the work and resulting documentation of Social Services staff is highly confidential and data protection issues and awareness are fundamental to the staff.</p>	<p>All Children's staff should be trained and kept up to date with current data protection issues. All new staff should be fully trained in data protection and a rolling programme should be in place for all existing staff.</p>	Significant	All staff have been issued with details of training and instructed to attend the data protection training as soon as possible.	Ongoing	Democracy and Governance Manager and Fieldwork Manager, Community Services

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
6	<p>The Administration staff at Connah's Quay are still having difficulty in identifying information from the files that require filing and archiving due to inadequate information being supplied on the front of files. The previous audit recommended that all files should take a standardised approach and the Service Manager (Fieldwork) agreed to implement a self adhesive label which should be attached to the front of each file generated. This has not yet been implemented although the date for implementation, November 2010 has since passed.</p> <p>The pink file movement cards had not been reviewed for some time due to lack of time and resources.</p>	<p>The immediate introduction of a standardised approach to the identification of files should now be introduced. This will increase the control surrounding the archiving of files which needs to be up to date before the closure of Connah's Quay Offices. It is essential that a review is carried out of the file movement cards. All files removed from the filing system should be immediately returned once finished with.</p>	Significant	There has been an amendment to the labels devised by Helen Rees and the new labels are now used.	Implemented	Democracy and Governance Manager and Fieldwork Manager, Community Services

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
1	<p>The Data Protection Lead Officer, has recently written and introduced a policy on the security of documents containing personal information.</p> <p>The policy was agreed by the Corporate Management Team (CMT) on 11th January 2011.</p> <p>The policy was available as a draft version on the infonet prior to approval at CMT.</p> <p>The Head of Children's Services has been informed of the policy via a direct email issued to her from the Lead Officer Data Protection. The Lead Officer had also issued the document as a news release item. There have been no training sessions with Managers or instructions on when or with whom to complete the assessment.</p> <p>The Auditor contacted nine Service Managers from across the Authority who have access for staff who deal with personal data and who would need to complete the risk assessment or have staff who would need to complete it. From the nine Managers contacted, four were aware of the existence of the</p>	<p>It is recommended that the Data Protection Lead Officer provides corporate advice and guidance to Directors and Head of Service advising them to make all Senior managers within their area's aware of the policy (Security of documents containing personal information) and their responsibilities to ensure their staff complete an annual risk assessment if the Department has access to personal data.</p>	Significant	<p>The policy was put on the Data Protection part of the Infonet and by e-mail of the 5 August 2011 the Lead Officer drew it to the attention of all Heads of Service. Following this audit a further e-mail will be sent to Directors and Heads of Service reminding them of the policy and of the need to ensure that their appropriate staff are aware of it and implement it.</p>	Oct 2011	Democracy & Governance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>policy and none had completed the risk assessment. It was evident from discussing the policy with Managers that there is a lack of commitment from Senior Management. The Managers that were aware of the policy had either been notified of its existence following a Data Security Breach, following the workforce news message or via the Data Protection Team.</p>					

School Budgetary Control, LL1010P1

We have made no fundamental and three significant recommendations arising from the following:

- The service should ensure that all service level agreements are reviewed at an appropriate time in order to provide a continuous service between parties.
- The current scheme for financing schools should be fully revised and issued as soon as possible.
- Based on the information received the service should consider discussing the use of projected pupil numbers with schools and determine a way forward.

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
6	<p>A discussion was held with the Education Finance Resource Manager and it was established that all service level agreements have been revised and are awaiting agreement from schools for the 2011/12 school year. These agreements include one for the schools accounting service and one for financial services which both assist with school budgetary control and detail the requirements for both the Authority and the School to adhere to.</p> <p>There has also been an increase in the number of agreements available this time and the revised versions have increased from eight to sixteen.</p>	<p>The service should ensure that all service level agreements are reviewed at an appropriate time in order to provide a continuous service between parties.</p>	Significant	<p>It is accepted that sufficient time was not allowed to prepare and circulate new Service Level Agreements at the September 2010 renewal. The opportunity was taken therefore to extend the scope of the Agreements from 8 to 16 and to move the renewal to September 2011. The agreements for the renewal at September 2014 will be available and sent to Headteachers by the end of December 2013 even though it is likely that the scheme will be extended again.</p>	31/12/2013	Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>A sample of schools was selected to identify their arrangements regarding budgetary control and service level agreements and it was established that the existing agreements expired in March 2010. Schools were not provided with any revised versions until October 2010. It was also noted that schools were not informed of any extension to the agreements until late 2010, when the revised agreements were issued.</p> <p>These concerns were discussed with the Education Finance Resource Manager and it was established that significant delays occurred in revising the agreements and this resulted in the new agreements not being publicised until November 2011.</p> <p>In respect of the revised agreements, all schools were provided with the opportunity to comment on the draft versions and Head teachers were invited to attend presentations.</p> <p>It was also established that the schools have been provided with notifications of the revised versions including costings and the agreements have been published on the schools</p>					

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>community website (Moodle). Formal agreement from the schools is not required by the authority until May 2011 for implementation to be made in September 2011.</p> <p>Evidence was seen of communication with the schools visited and appropriate actions have been taken to involve each school with agreeing the content of the new agreements. However, the authority needs to ensure that these service level agreements are reviewed at the appropriate time to allow for schools to review the agreements and provide a continuous service between both parties.</p>					
10	<p>A review of the current scheme was undertaken in line with the School Funding Regulations 2010 to determine if the schools have been provided with accurate information.</p> <p>As stated previously, the current version was last revised in 2005. The Schools Funding Regulations was issued in 2010 and will need to be considered when revising the current version. It was identified that additional changes to the current version</p>	<p>The current scheme for financing schools should be fully revised and issued as soon as possible.</p>	Significant	<p>The scheme will be revised in line with the School Funding regulations issued in 2010.</p>	31/03/2012	Finance Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	were requested from both the Principal Accountant and Internal Audit. In line with the outstanding issues identified, the current version will be to be fully revised and issued to all schools as soon as possible.					
21	A discussion was held with the Performance Information Manager and it was identified that population projections have not been issued to schools for the current financial year. This has been due to a number of factors mainly being the lack of resources available. Compiling this information is complex and requires a full time role which has not previously been available; however a position is currently being considered as part of the job evaluation review. The last exercise was undertaken by the service 18 months ago and all secondary schools were issued with population projections, however no exercise was undertaken for primary schools at this time.	Based on the information received the service should consider discussing the use of projected pupil numbers with schools and determine a way forward.	Significant	It is not clear that statistical information on potential pupil numbers based on demographical areas is really useful to Schools as pupil numbers are also affected by other factors, such as parental choice and county boundaries. Demographic projections forward have been shared with all Schools as part of the School Modernisation information and will be available to Schools from now on.	Ongoing	Performance Information Manager

Para	Findings	Recommendation	Category	Management comment	Implementation date	Manager responsible
	<p>Communications were also held with all secondary school head teachers to establish the usefulness of the information provided.</p> <p>At the time of reporting three responses have been received to date and all comment on the inaccuracies in the data received. Further checks had to be undertaken by the head teachers in order to obtain the correct information.</p> <p>The consensus so far indicates that the use of population projections would be useful for the schools however assurances would be required on the accuracy of data received.</p>					

Performance Indicators

CORPORATE			
Performance Indicator	Target Number of Days	Reports Finalised for Audit Committee 1 Nov 2011	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	8	0
Time from issue of draft report to receipt of management response	20 days	63	0
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0	0
Time from receipt of management response to issue of final report	5 days	4	0

FINANCE			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 1 Nov 2011	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	12	13
Time from issue of draft report to receipt of management response	20 days	22	74*
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0	0
Time from receipt of management response to issue of final report	5 days	1	1

* Capital Programme, Insurance, Main Accounting, and MTFS all overdue. Delayed by FFR and budgeting

Performance Indicators

LEGAL AND DEMOCRATIC			
Performance Indicator	Target Number of Days	Reports Finalised for Audit Committee 1 Nov 2011	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	0	24*
Time from issue of draft report to receipt of management response	20 days	0	7
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0	0
Time from receipt of management response to issue of final report	5 days	0	20

*Data Protection Further discussions with management

HUMAN RESOURCES			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 1 Nov 2011	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	25	22
Time from issue of draft report to receipt of management response	20 days	17	31*
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0	0
Time from receipt of management response to issue of final report	5 days	3	3

* Absence Management – Changes in management within HR

INFORMATION			
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APPENDIX B

Performance Indicators

TECHNOLOGY			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 1 Nov 2011	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	19	7
Time from issue of draft report to receipt of management response	20 days	42	21
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0	0
Time from receipt of management response to issue of final report	5 days	2	5

LIFELONG LEARNING			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 1 Nov 2011	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	3	14
Time from issue of draft report to receipt of management response	20 days	18	49*
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0	0
Time from receipt of management response to issue of final report	5 days	4	11

*School Budgetary Control. Change of management.

Performance Indicators

COMMUNITY SERVICES			
Performance Indicator	Target Number of Days	Reports Finalised for Audit Committee 1 Nov 2011	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	19	1
Time from issue of draft report to receipt of management response	20 days	12	35*
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0	0
Time from receipt of management response to issue of final report	5 days	9	1

*Registration of charges follow up.

ENVIRONMENT			
Performance Indicator	Target Number of Days	Reports Finalised for the Audit Committee 1 Nov 2011	Reports Finalised for this Audit Committee
Time from completion of fieldwork to issue of draft	20 days	13	8
Time from issue of draft report to receipt of management response	20 days	1	24*
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0	0
Time from receipt of management response to issue of final report	5 days	102	1

*Rural Flintshire Development Grant. Further discussions with management.

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
Corporate	CD0070R1	Procurement (Approved List)	99	30	Limited
Environment	EN0010R1	Streetscene – Cleanliness	42	20	Limited
Environment	EN0020R1	Flood Risk Management	27	20	Substantial
Environment	EN0030R1	Transportation	46	20	N/A
Finance	FD0010R1	Financial Reporting	34	20	Adequate

Procurement – Referred to CMT. Further meetings held with management

Transportation – now received.

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 7

REPORT TO: **AUDIT COMMITTEE**
DATE : **30 JANUARY 2012**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **OPERATIONAL AUDIT PLAN AND RECOMMENDATION**
 TRACKING

1.00 PURPOSE OF REPORT

1.01 To inform Members of progress against the operational plan for 2011/12. The plan is attached (Appendix A). The results of the current recommendation tracking since the previous Audit Committee are also attached (Appendices B and C).

2.00 BACKGROUND

2.01 The status of all projects at 20th January 2012 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.

2.02 As reported to the last Audit Committee there has been a need to produce a revised plan for the year. This has been done with the agreement of Directors and Corporate Heads of Service.

3.00 CONSIDERATIONS

3.01 Work is continuing the 2011/12 plan. However, as reported to the last Audit Committee, the department is currently implementing the restructure as part of the Finance Function Review. This has led to a shortage of staff during the transition period as people have left the department before their replacements have been recruited. Backfill and temporary cover has been arranged where possible, but there is still a shortfall of around 350 days. Accordingly the plan has been reviewed in consultation with Directorates and Corporate Services and a revised plan produced. This will be sufficient to meet regulatory requirements and will target major risk areas.

3.02 The recruitment process has now started. The planned structure will support a plan of 1600 days in future years, which is similar in size to previous years. It is envisaged that the new structure will be in place early in the next financial year.

3.03 A summary of recommendation tracking is given in Appendix B. One response was not received from management, which is highlighted in Appendix B.

3.04 Detailed responses are given in Appendix C. This also includes the test results that led to the recommendations and the date of the original audit report. As agreed in the

Date: 20/01/2012

last meeting, where action plans have been completed the results are shaded, to make it easier to identify the recommendations still outstanding.

- 3.05 There are two uncleared recommendations which have now been tracked more than five times. One relates to the Youth Service Strategy, where consultation with staff and the trades unions has started. The other relates to the debt management policy in leisure centres. Some progress has been made but full completion is awaiting the new staff structure.

4.00 RECOMMENDATIONS

- 4.01 The Committee is requested to consider the report and approve the change to the Annual Audit Plan.

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 2011/12
Audit Tracking Summary
Audit Tracking Detail

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

None.

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APPENDIX A

All Assignments sorted by Directorate

CORPORATE

Risk Based Coverage

Risks / Source	Risk Area	Auditable Area	Original Plan days	New Plan days	Status
Council Governance					
4	Risk Management. Effective corporate systems for risk management and business continuity	To provide assurance to Directors and members that the Authority has effective arrangements for risk management and business continuity management and that risks identified by the Authority are being effectively managed.	10	10	FEB
18	Procurement– Select List	Review the use of the select list for procurement	20	20	DRAFT

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source of Requirement	Original Plan days	New Plan days	Status
Performance Indicators	To provide assurance that the reporting of performance is accurate	20	20	WIP

Other Internal Audit Coverage

Topic	Source / Rationale	Original Plan days	New Plan days	Status
Corporate Governance	Review the application of the Corporate Governance principles in support of the Annual Governance Statement.	10	10	ON GOING
Collaborative Working	Confirm that business cases for Flintshire input to collaborative projects are being tested.	10	10	TBA
Theatre Clwyd	The need and scope for the review to be arranged.	10	X	

Advisory / Consultancy work

Topic	Source / Rationale	Original Plan days	New Plan days	Status
Flintshire Futures	Participation in project with the Flintshire Futures teams	50	25	ON GOING
Lean Team	Participation in Lean Team projects.	50	25	ON GOING

Total	180	120	
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FINANCE

Risk Based Coverage

Risks/ Source	Risk Area	Auditable Area	Original Plan days	New Plan days	Status
Council Governance					
CG06	Medium Term Financial Strategy and Plan	To review the rigour of the medium term financial strategy for the Authority in terms of its comprehensiveness and the quality and accuracy of forecasting of the pressures and efficiencies in the MTFP.	20	20	FINAL

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source of Requirement	Original Plan days	New Plan days	Status
Main Accounting	General Ledger, Income and Debtors, Accounts Payable, Cash and Bank, taxation External audit to place reliance on testing undertaken by internal audit.	40	40	WIP
Housing Benefit	To satisfy external requirements of Department of Work and Pensions.	20	20	FEB
Council Tax and NNDR	External audit to place reliance on testing undertaken by internal audit.	20	20	WIP
Capital Programme	Review capital programme strategy. To review whether the Authority effectively prioritises capital expenditure to gain value for money for the resources available.	20	X	
Treasury Management	To verify that effective Treasury Management arrangements are in operation which ensure the security of the Councils cash.	15	15	MAR
Cash and Banking	To verify that cash and banking controls are effective and operated in accordance with procedures.	20	20	DRAFT

Other Internal Audit Coverage

Topic	Source / Rationale	Original Plan days	New Plan days	Status
Enforcement	Systematic audit of debt management and enforcement arrangements.	20	X	
Housing Benefit Subsidy	Advisory review of systems and controls for housing benefit to provide assurance to management that problems identified with previous years subsidy claims have been adequately addressed.	15	15	FINAL
Financial Management and Control	Review of financial reporting and management accounts.	15	15	DRAFT
Insurance	Review the Authority's insurance processes	10	10	FINAL
Corporate Grants	Systematic audit of the arrangements which have been established by the Authority to record, monitor and report external grants.	15	X	
Leasing	Review compliance with Financial Procedure Rules. The audit will consider the rigour of appraisal of capital financial options and how this ensures that value for money is achieved. The audit will also review the effectiveness of controls around approval and monitoring of leases.	15	15	WIP
Total		245	190	

PENSION FUND

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source of Requirement	Original Plan days	New Plan days	Status
Pensions Administration	External audit to place reliance on testing undertaken by internal audit.	20	20	WIP
Pension Contributions	Verification of the contributions made from admitted bodies.	20	20	WIP
Total		40	40	

LEGAL AND DEMOCRATIC SERVICES

Other Internal Audit Coverage

Topic	Source / Rationale	Original Plan days	New plan days	Status
Electoral Register	Management concern. Review procedures and processes in relation to the maintenance of an accurate and up to date register.	10	10	JAN
Data protection	Management concern. To review compliance with external regulation. Reviews cover different parts of the organisation each year.	10	10	TBA
RIPA Compliance	Management concern. To review compliance with external regulation.	10	X	
Registration of Charges	Management has requested a follow up review following a review in 2009/10. The review will look at arrangements between Community Services and Legal to place a charge on a property to cover the costs of providing individual nursing care.	15	15	FINAL
Total		45	35	

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source / Rationale	Original Plan days	New Plan days	Status
Payroll & HR System	Regulatory annual audit. Forms part of the overall external audit opinion on the application of controls.	30	30	WIP

Other Internal Audit Coverage

Topic	Source / Rationale	Original Plan days	New plan days	Status
Absence Management and Return to Work	This will follow-up the review undertaken in 2009/10 which looked at the way absence is being managed and reported. It will concentrate on triggers, long-term absences, referrals to Occupational Health, return to work interviews, and use of management information	10	10	FINAL

Agency Staff	To review the accounting mechanism. To look at costs especially when covering vacancies, especially in Social Services (one particular Agency being used). To consider value for money alternatives such as utilising MATRIX to administer consultancy staff	15	15	FEB
People Strategy	Review of the Application processes	10	X	
Single status – costing of pay model	Review the processes engaged in the costing of the Pay Model	15	X	

Advisory / Consultancy work

Topic	Source / Rationale	Original Plan days	New Plan days	Status
Midland Trent: Phase 2	Review any new functionalities which may be introduced during the year.	15	15	ON GOING

Total	95	70	
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INFORMATION AND COMMUNICATIONS TECHNOLOGY

Risk Based Coverage

Risks / Source	Risk Area	Auditable Area	Original Plan days	New Plan days	Status
Council Governance					
9b	Information Governance Information protects and manages the Councils information assets.	All aspects of IT governance including information management practices, accuracy and completeness of information and security and electronic document management	30	30	ON GOING

Other Internal Audit Coverage

Topic	Source / Rationale	Original Plan days	New plan days	Status
Software Licences	Review arrangements for ensuring all business software has a current licence and that value for money is achieved	10	10	MAR
Self Service Passwords	Review new procedure to enable users to reset their own passwords	5	5	WIP

Development Standards	Establish development standards used for in-house developments and review compliance	15	X	
IT Training Unit	Review service provided and how service helps deliver corporate priorities	10	10	FEB
Registrars	Establish systems in place and review service area based on key risks	10	10	FEB
Customer Complaints	Review compliance with complaints procedure	20	20	FEB
Operations Management	Consider all functions of Operations Management and prioritise coverage based on risk.	20	20	FEB
Additional Work				
Purchase to Pay (P2P)			10	MAR
Total		120	115	

LIFELONG LEARNING

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source of Requirement	Original Plan days	New Plan days	Status
Grants	WAG requirement for Internal Audit to review specified grants e.g. community schools	20	20	ON GOING

Other Internal Audit Coverage

Topic	Source / Rationale	Original Plan days	New plan days	Status
Pupil Statistics – Central Control	Ensure the processes in place provide assurance that pupil funding is correct (based on statistical data provided by the schools)	15	15	FEB
Youth & Community	Review operational controls	15	X	
Facilities Services – Catering Services	Review operation of catering services to include ticketless meals and free meals.	20	20	FEB
Schools Corporate Governance	Cross cutting review to assess compliance with relevant legislation of both the central function and in schools.	15	X	
CRB Checks	Compliance review to ensure all relevant checks completed.	10	10	WIP
Transport	Review operational controls	15	15	DEC

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Advisory / Consultancy work

Topic	Source / Rationale	Original Plan days	New Plan days	Status
Leisure Strategy strategy.	Provide advice on controls within relevant actions specified in the	5	X	
Control Awareness Sessions New Heads and Governors	Annual presentations to both new Headteachers and Governors to make them aware of control requirements and the audit process	15	15	ON GOING
Develop audit presence on schools infonet	To establish a presence on the schools infonet to share good practice and highlight any common control issues	5	X	

Schools Audits

Central reviews	Reviews carried out within County Hall	30	30	ON GOING
Risk based thematic reviews	Reviews carried out across a range of schools	30	30	ON GOING
Control and Risk Self Assessment	Completed by all schools	10	10	FINAL

Total		205	165	
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COMMUNITY SERVICES

Other Internal Audit Coverage

Topic	Source / Rationale	Original Plan days	New Plan days	Status
Blue Badges	The review will look at the controls exercised over the issue of disabled Blue Badge parking permits.	5	5	FINAL
Asset Management non-HRA	There are management concerns regarding sustainability issues with energy consumption, repairs, and leases.	10	X	
Humanitarian Response Planning	This is distinct from the Council's Emergency Plan. This plan is owned by Community Services to be able to bring in a variety of procedures in the event of a local disaster. Management are seeking assurance regarding the robustness of the planned response.	10	X	

Governance Arrangements	Management request for assurance regarding integration of services with NHS, and specifically Section 33 compliance.	5	5	DRAFT
Day Services	A Quality Assurance audit is requested.	10	X	
Homecare	Cyclical examination of compliance with procedures within council operated residential care homes.	10	X	
Appointeeships	Periodic review of the system regarding the establishment of Appointees to administer financial affairs of clients	15	15	DRAFT
Work Ticket Validation	First review following introduction of new working practices	10	X	
Private Sector Housing	Housing advice and support is offered to all private sector home owners. This review will look at the processes to ensure that systems are operating satisfactorily	15	X	
Rent Arrears	To review the control of arrears and the recovery of outstanding debts	15	15	MAR
Private Rented Sector	Review the processes to increase the supply and choice of new affordable accommodation in locations throughout Flintshire in accordance with housing need and aspiration.	10	X	
Family Information Service	The Family Information Service Flintshire provides free and impartial expert advice, information and guidance on childcare and early education places. This review will examine the processes	10	10	FINAL
Child Care Development	First review of this topic	15	15	FINAL
Re-letting Empty Properties	To review the turnaround of empty properties following the introduction of a lean working initiative.	10	10	WIP
Additional work				
Affordable Housing	In agreement with management, after request from Audit Committee		10	WIP
Total		150	85	

ENVIRONMENT

Risk Based Coverage

Risks/ Source	Risk Area	Auditable Area	Original Plan days	New Plan days	Status
Community Leadership					
CL08	Climate Change and flood risk management.	What leadership role does the Council take in both preventing flooding occurring, and responding to flooding when it occurs? Assessment of the arrangements underpinning current flood risk management and flood prevention in Flintshire.	5	5	DRAFT
CL09	Regeneration	Review of the operation and effectiveness of the Regeneration Partnership.	5	5	WIP
CL10	County Town Network Regeneration and Protection	Town Centre Partnerships have been established to support the regeneration of the Town Centres. The audit will review the effectiveness of the Town Centre Partnerships	20	X	
Council Delivery					
CD02	Public Protection Statement of the Priorities of the Administration 2010-12: To improve Council enforcement particularly in environmental services, the cleanliness of the 'public realm' and in planning development control	What enforcement activities does the Council undertake to protect and enhance the Street Scene and could these be further developed to support the Community Strategy aim to create safe, well-maintained and attractive public spaces? The focus of the review will be on the cleanliness of public realm.	20	20	DRAFT
Council Governance					
CG05	Asset Management	To examine the Council's approach to fixed asset (property) management to ensure that assets are managed in such a way as will best benefit the Council in the short and the long term.	25	25	WIP

Operational					
	Planning	Internal audit of compliance with standard procedures as set out in Development Control Procedures Manual.	20	X	
	Traffic Management Act	Implementation identified as a weakness in the Service Plan.	15	15	WIP
	Communities First	Follow up	10	X	

Other Internal Audit Coverage

Topic	Source / Rationale	Original Plan days	New Plan days	Status
Streetscene	Procurement/contract management arrangements will change with the introduction of the new Streetscene arrangements. The audit will evaluate and test the controls which have been established for procurement and contract management.	20	X	
3 rd Party Claims	Systematic review of 3 rd party claims.	10	10	WIP
Planning	Appeals National Indicator PLA/003 which measures the % of appeals determined that upheld the Authority's decision in relation planning application decisions and enforcements notices for 2009/10 was 56.36% with the Authority ranked 21 out of 22 in Wales. The audit will review what action is being taken to improve performance in this area.	15	15	WIP
Planning	Enforcement National Indicator PLA/005 which measures the % of enforcement cases resolved during the year within 12 weeks of receipt was 38.37% in 2009/10 with the Authority ranked 21 out of 22 in Wales. The audit will review what action is being taken to improve performance in this area.	15	X	
Subsidised Bus Services	Management Concern. Value for Money review of Subsidised Bus Services.	10	10	DRAFT
Income from Fees and Charges	Management Concern. Is the Directorate maximising income to support frontline services? The audit will review income generation across the Directorate, benchmarking income levels against other Authorities where possible.	15	15	FINAL

Additional work				
Rural Development Plan	Request by Head of Regeneration to review systems and controls for the management of RDP		20	FINAL
Carbon Reduction Commitment	Regulatory requirement to provide Internal Audit assurance of reporting under the carbon reduction commitment scheme.		15	FINAL

Total		205	155	
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Investigations, Provisions and Development

	Original Plan days	New Plan days	Status
Pro-active fraud work and NFI	50	50	
Investigations	100	135	
Provision for ad-hoc requests from Directorates	100	50	
Audit Development - IDEA	30	X	

Total	280	235	
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Overall Total	1565	1210	
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Implementation Status of Limited Assurance Reports Issued

Title	Report Reference	Final Date Issued	Category	Recommendations			Response Received	Recommendations		
				Made	Previously Implemented	Previously Deferred		Due By	Imp	NOT Imp
CORPORATE										
RISK MANAGEMENT	CD0020P1	Jul-11	Fundamental	0	0	0	YES	0	0	0
			Significant	4	0	0		3	1	2
PERFORMANCE INDICATORS	CD0200P1	Jul-11	Fundamental	0	0	0	YES	0	0	0
			Significant	10	9	0		1	1	0
PROCUREMENT	CD0070P1	Nov-10	Fundamental	0	0	0	YES	0	0	0
			Significant	4	0	4		4	0	4
FINANCE										
ENFORCEMENT	FL0300L1	Feb-09	Fundamental	0	0	0	YES	0	0	0
			Significant	20	8	12		3	1	2
PROCUREMENT	FL0070M1	Sep-09	Fundamental	0	0	0	YES	0	0	0
			Significant	6	2	4		3	0	3
MAIN ACCOUNTING	FD0080N1	Sep-10	Fundamental	1	0	1	NO	0		
			Significant	6	3	3		1		

HOUSING BENEFITS	FD0615P1	Aug-11	Fundamental	1	1	0	0	0	0	0	0	0	0
			Significant	2	0	2		2		2		2	0
MEDIUM TERM FINANCIAL STRATEGY	FD0040P1	Apr-11	Fundamental	1	1	0		0		0		0	0
			Significant	4	2	1		1		1		0	1

LEGAL & DEMOCRATIC

EMPLOYMENT PRACTICE CODES	LD0220N1	Mar-10	Fundamental	3	3	0		0		0		0	0
			Significant	25	23	2		2		1		0	1

HUMAN RESOURCES

RECRUITMENT POLICY	HR0200N1	Sep-11	Fundamental	0	0	0		0		0		0	0
			Significant	8	0	0		0		1		1	0

PAYROLL	HR0150N3	Sep-10	Fundamental	0	0	0		0		0		0	0
			Significant	9	6	2		2		2		2	0
PAYROLL	HR0150P2	Jun-11	Fundamental	0	0	0		0		0		0	0
			Significant	8	4	2		2		3		2	1

IT

PCI COMPLIANCE FOLLOW UP	IT0030N2	Jun-10	Fundamental	1	0	1		1		1		0	1
			Significant	0	0	0		0		0		0	0
MASTERPIECE SECURITY SYSTEMS	IT0230P1	Apr-11	Fundamental	1	1	0		0		0		0	0
			Significant	1	0	1		1		1		0	1

COMMUNITY SERVICES										
RENT RECOVERY & ENFORCEMENT	CH0060M1	May-09	Fundamental	0	0	0	0	0	0	0
			Significant	5	4	1			1	1
SUBSISTENCE & ALLOWANCE	CS0130M1	Feb-09	Fundamental	1	0	1			1	1
			Significant	3	0	3			3	3
CHILDREN'S SERVICES TAXIS	CS0070P1	Mar-11	Fundamental	0	0	0			0	0
			Significant	13	9	1			2	2

ENVIRONMENT

YOUTH & COMMUNITY	EC0030K1	Sep-07	Fundamental	0	0	0	0	0	0	0
			Significant	6	5	1			1	1
LEISURE MANAGEMENT	EC0070L1	Dec-07	Fundamental	0	0	0			0	0
			Significant	4	3	1			1	1
BUSINESS ENTERPRISE UNITS	EN0010N1	May-10	Fundamental	0	0	0			0	0
			Significant	8	4	4			3	3
DATA MANAGEMENT PUBLIC PROTECTION	EN0080N1	Mar-10	Fundamental	4	2	2			1	1
			Significant	18	8	10			4	4
TECHNOLOGY FORGE	EN1000N1	Apr-10	Fundamental	0	0	0			0	0
			Significant	7	5	2			1	1
SECTION 106 AGREEMENTS	EN0020P1	Feb-11	Fundamental	0	0	0			0	0
			Significant	17	6	10			3	2

LIFELONG LEARNING										
	LL0190N1	Aug-10	Fundamental	0	0	0	0	0	0	0
E TEACH			Significant	4	1	3			2	0
										0
ICT UNIT OF SECURITY MOBILE DEVICES	LL1065P1	May-11	Fundamental	4	0	0			3	2
			Significant	1	0	0			1	1

APPENDIX C

- Status: 1 – Implemented
2 – Not Implemented

Project Ref:	CD0020P1
	Risk Management

Directorate:	Corporate Services
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3 – No longer applicable

DATE ISSUED: 28th July 2011

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
9	The production of guidance for the completion of risk has been considered to be unnecessary by the Risk Manager, it is felt that ownership of risk is not subject to regular change and risk owners are experienced in the completion of the SARC template. It is considered that the SARC template is simple enough to follow without additional guidance. From discussion with three	S	<p>Recommendation: When management provide updates for the SARC report, only realistic and supportable projections should be included. If there is no clear evidence of a path to the achievement of a green rating, this situation should be recorded in the SARC report. Management Comment: Agreed, this is the case for many of the SARC entries currently.</p>	30.9.11	1		

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	Secondary Leads this view was supported.						
12	<p>The PPP section has aimed to integrate service planning, performance management and risk management. The updated Risk Management Strategy issued in July 2010, in addressing operation risk inclusion in the Service Plan does make it a specific requirement for operational risks to form part of the Service Plan.</p> <p>We conducted a general review of all 24 Service Plans covering 2010/11. It was noted that there is no standard approach to the design of plans or the inclusion and approach to</p>	S	<p>Recommendation:</p> <p>The Risk Management Strategy should be amended to require the inclusion of the identification and management of operational risk in departmental Service Plans.</p> <p>Services should maintain operational risk registers</p> <p>Management Comment:</p> <p>Agreed, this is already the case in many service plans.</p> <p>We suggest that local risk registers should be established using a standard template provided by the Risk</p>	Oct 2011	2	April 2012	Work in progress – operational risk templates will be produced with the service plans for 2012/13. Training/awareness-raising sessions to be held to assist managers with completion.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>operational risk. It was however noticed that Environment Directorate Service Plans did follow a general format and the identification of operational risks and their management were generally but not in all instances, included. of operational risks in this Service Plan.</p> <p>Work is still ongoing to establish a risk reporting module in Ffynnon but it is anticipated that it could be some time before this is in place. In the meantime there is a need to ensure that risk management processes for operational risks are robust as operational failures can have significant impacts and cause reputational damage.</p>		<p>Manager.</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 found that there is a Project Management System in place, supported by a Project Management Handbook available on the InfoNnet. Risk Management is adequately built in to the Project Management System. The completion of a risk log is required as part of the project initiation process and the maintenance of this log is deemed essential for medium and high scale projects.</p> <p>There is detailed guidance available for the use of the system. The guidance is based on the Prince 2 model and the consideration and management of risk is built in to the process.</p> <p>It was noted that the approach to risk has been built in to the Prince 2 model and therefore does not follow the corporate approach to risk.</p> <p>It was found that use of the Project Management System has only been mandatory for projects</p>	S	<p>Recommendation: To ensure that all projects funded and delivered by the authority are effectively managed and delivered in a uniform manner, the use of the Project Management System should be compulsory</p> <p>Management Comment: The project management system supports the Council's adopted project management methodology agreed by CMT methodology and supporting system has been adopted as a corporate approach. Further work will be required to ascertain the extent of this issue and to establish why the methodology and system are not being used.</p>	Oct 2011	2	April 2012	<p>CMT have re-endorsed the use of the Project Management methodology and system. Training in the use of project management is provided corporately.</p> <p>The methodology and training is being revised to include the corporate risk management approach into the project management methodology. It is also being revised to include benefits realisation.</p> <p>All new projects (especially Flintshire Futures projects) will be using the methodology.</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>requiring the input of the IT Department. Other projects have been able to by-pass the Project Management System. The extent of these projects being delivered outside of the Project Management System is unknown by the ICT Service & Performance Manager.</p> <p>As there are an unknown number of projects operating outside of the project management framework, it is not possible to determine if all projects are being delivered using an effective framework with an adequate consideration of risk management.</p>						

Implemented

Project Ref:	CD0200P1
	Performance Indicators

Directorate:	Corporate
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- 2 – Not Implemented
- 3 – No longer applicable

DATE ISSUED: July 2011

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>PLA/ 003</p> <p>The percentage of appeals upheld was 56.4% in 2009/10, this level of performance ranking the Council 21 out of 22 in Wales.</p> <p>The target performance for 2010/11 is 80%. At the half year point performance for Q1 was 66% and Q2 60%.</p> <p>Planning applications and enforcement notices are recorded in Authority Public Protection (APP). Each case has a unique reference number and supporting documentation is kept in paper files.</p> <p>Each quarter APP is interrogated to produce a report called "Development Control Quarterly Survey" for the WAG. Included in this report are "Planning Control - Statistics" for the quarter.</p>	S	<p>Recommendation: Management should ensure that all staff responsible for collating information for the calculation of the performance indicator fully understand the definition/guidance for the performance indicator</p> <p>Management Comment: <u>Development Control</u> All procedures should be contained in the Development Control Procedure Manual (which is currently under review). If this requires updating to reflect training shortfalls, then this will be done and staff re-trained.</p>	30.11.11	1		<p>Issues associated with the recording and collation of information relevant to this indicator have been addressed. Staff involved are all aware of their particular role/responsibility, based on the procedures in the Manual.</p> <p>Footnote.; Our appeal procedures have been subject to a 'LEAN' review and will be updated to reflect this, although it has always been</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>From these statistics quarterly performance indicators are calculated for the "percentage of planning application decision appeals that upheld the authority's decision" only. No performance indicators are produced for enforcement notice appeals that upheld the authority's decision; this is because enforcement appeals are not always updated onto the APP system by the Enforcement Team. Data from the "Planning Control - Statistics" was obtained for the periods 1 April to 30 June 2010 and 1 July to 30 September 2010.</p> <p>The figures from this report agreed to the figures entered onto Fynnon (for planning application decision appeals only). There were 16 planning applications decision appeals determined during the period 1 April to 30 September 2010 and of these there were 10 planning application decisions appeals that upheld the authority's decision.</p> <p>A sample of five cases was selected to test from the 16 cases. One out of five cases did not have the relevant supporting documentation on file to support the data entered onto the APP system. The other four cases had all supporting documentation in files which agreed to data entered onto APP.</p>						<p>recognised that the DC Manual is effectively a live document, subject to continual review</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>PLA/005</p> <p>This PI was highlighted as a poor performing indicator in 2009-10, with the Council achieving 38.4% against the Wales average of 62.9%.</p> <p>The target performance for 2010/11 is 73%. At the half year point performance was 58.1%, well below target.</p> <p>Details of Enforcement notices are entered on Authority Public Protection (APP) by administration staff using Enforcement Team supporting documentation. Each case has a unique reference number and supporting documentation is kept in paper files.</p> <p>On a quarterly basis the Planning Services department produce statistics from their database system for Enforcement cases resolved. Performance indicator PLA/005 is currently produced showing quarterly figures for the relevant year on Ffynnon.</p> <p>Data from the "Planning Control - Statistics" was obtained for the periods 1 April to 30 June 2010 and 1 July to 30 September 2010.</p> <p>The figures from this report agreed to the figures entered onto Ffynnon.</p>				1		As comment above in relation to PLA/003. All staff tasked with the recording of information are aware of their responsibilities, based on the adopted procedures

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>From these reports there were 296 enforcement case resolved during the period 1 April to 30 September 2010 and of these 172 cases were resolved within 12 weeks as per the PI Guidance.</p> <p>A sample of 15 cases was selected to test from the 296 enforcement cases.</p> <p>Results of testing showed that for one case there was no supporting documentation to verify the "Case Date Received" and Case Date Resolved". In addition for three other cases the "Case Date Resolved" on the system did not match the date on the supporting original documentation in the case file.</p>						

Status: 1 – Implemented

Project Ref:	CD0070P1
	Procurement

Directorate:	Corporate
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- 2 – Not Implemented
- 3 – No longer applicable

DATE OF AUDIT: NOVEMBER 2010

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><u>Procurement Board</u></p> <p>The Interim Head of Strategic Procurement stated that: -</p> <p>“The Head of Procurement is responsible for calling the meetings of the Procurement Board. The chairperson is either the Head of Procurement or the Chief Executive Officer. The agenda is decided by the Head of Procurement. The composition of the board is decided by the Chief Executive and the Leader of the Council.”</p> <p>Due to a lack of staff resources formal minutes are not always taken to record Procurement Board meetings</p>	S	<p>Recommendation: Consideration should be given to reviewing:</p> <ul style="list-style-type: none"> the current role and responsibilities of the Procurement Board against its original Terms of Reference and whether the work that it carries out is duplicated elsewhere across the Authority i.e. via the update given to Corporate Management Team by the Head of ICT and Customer Services. 	30.11.10	2	<p>31/03/11</p> <p>30/09/11</p> <p>January 2012</p>	<p>New management arrangements have recently been implemented and reporting arrangements are to be reviewed.</p> <p>Major review of Procurement underway as part of Flintshire Futures.</p> <p>There is also a Procurement Shared Services review of across North Wales taking place. Any decision of role and responsibilities of the Procurement Board should be made in light of any regional developments as well.</p> <p>The business case for a regional Procurement Shared Services is currently being quality assured. Once this work has been completed along with a review of procurement as part of Flintshire Futures, then a decision of role and responsibilities of the Procurement Board can be made.</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 available minutes were examined and reviewed and it became apparent that the main output of the Procurement Board is to update and advise elected members and the Chief Executive of the progress made against the Procurement Strategy Action Plan. Officers in attendance varied from meeting to meeting. It was also noted that two elected members had been present at all minuted meetings. One of these being the Procurement Champion.</p> <p>It was minuted and agreed by the Executive on 18/1/08 that quarterly updates would be provided to the Executive and Corporate Management Overview and Scrutiny Committee via the Procurement Board. However, below are the dates of the Procurement Board meetings that have actually taken place:</p>		<p>As originally prescribed quarterly updates on the Procurement Strategy and the revised Action Plan should be provided by the Procurement Board to the Executive and Corporate Management Overview Committee.</p> <p>Formal minutes should be taken at Procurement Board meetings to record what has been agreed and discussed.</p> <p>Management Comment::</p> <p>A brief review should be undertaken and concluded as to the requirement for the Procurement Board and what added value is provided over existing governance structures in place within the authority</p> <p>Given the move towards a "lean" approach to the way in which the authority carries out its business there should be no scope for expensive duplication of effort and resource requirements.</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>03/11/08 04/03/09 20/05/09 05/08/09 16/03/10 - no minutes No further Procurement Board meetings have taken place since 16/03/10 The Terms of Reference of Procurement Board are clearly stated in the Constitution. Updates on the Procurement Strategy were provided on the following dates: 18/11/08 Approved by Executive 16/02/09 Reported to Corporate Management Overview and Scrutiny Committee (CMOSC) 01/04/09 Reported to Executive 14/09/09 Reported to CMOSC 16/09/09 Reported to Executive We held discussions with the Head of Finance who was of the opinion that quarterly</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>updates should be provided (as originally prescribed) to the Executive and Corporate Management Overview and Scrutiny Committee.</p> <p><u>Other Reporting Lines</u></p> <p>The Interim Head of Strategic Procurement also compiles procurement updates to the Head of ICT and Customer Services who in turn presents these to Corporate Management Team. Such updates were presented to the Head of ICT and Customer Services in March and June 2010. The latter was discussed at CMT on 22/06/10 where the Head of ICT and Customer Services "provided a progress report on the various procurement activities across the Council including Welsh Purchasing Card; Working Practices; Consortiums, Collaboration and partnering; Supplier Relationship Management and effective use of Technology</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 report and suggestions were welcomed, noting that the Welsh Purchasing card would begin as a pilot scheme within Community Services and that reference to any other frameworks adopted be added as a new number (4) to the Working Practices proposal.”</p> <p>Leadership and progress towards delivery of the Procurement Strategy is therefore achieved via a combination of the Procurement Board providing updates on progress against the Procurement Strategy Action Plan to the Executive and Corporate Management Overview and Scrutiny Committee and reports to Corporate Management Team via the Head of Information Management and IT on procurement issues generally.</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>The original Action Plan was considered and agreed by the Procurement Board on 04/03/09</p> <p>The original Action Plan dates were extended due to a lack of resources leading to the actions not being completed as per the planned timescale.</p> <p>The Interim Head of Strategic Procurement stated that "the revised Action Plan was informally agreed with the Chief Executive and Head of Information Management".</p> <p>There was no documentary evidence provided to substantiate this fact.</p> <p>The Interim Head of Strategic Procurement has set out the Revised Action Plan which has a work plan at a reasonable level of detail showing the key activities, responsibilities, outputs and aims to monitor progress on a quarterly basis.</p>	S	<p>Recommendation: Remedial activities should be put in place where progress against a specific action has "slipped" e.g. the officer responsible for delivering a policy on sustainable procurement has left the employ of the Authority.</p> <p>Where possible the actions should be prioritised.</p> <p>Progress against the action plan should be reported as was originally prescribed to the Executive and Overview and Scrutiny Committee on a quarterly basis.</p> <p>The revised Action Plan should be retrospectively considered and agreed by the Procurement Board who considered an agreed the original Action Plan.</p> <p>The revised Action Plan should be made available on the internet as part of the Procurement Strategy.</p> <p>Management Comment:</p>		2	<p>31/03/11</p> <p>30/09/11</p>	<p>Now new management arrangements have been put in place a full review of the action plan will be undertaken taking account of other priorities emerging from the procurement review and the e-procurement project.</p> <p>Strategy update to be presented to Procurement Board on 8th December, 2010</p> <p>A revised Action Plan is being developed to take into account of emerging themes from:</p> <ul style="list-style-type: none"> ❖ Flintshire Futures review of procurement (Local) ❖ North Wales Procurement Shared Services (Regional) and ❖ Efficiency and Innovation Board: Procurement taskforce recommendations (nationally) <p>The outcomes of the various initiatives will become clearer by September 2011. Additionally, work has commenced to explore the potential of FCC and DCC sharing procurement resources on a virtual arrangement that will also impact the allocation of actions to respective officers.</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>All Actions from the previous version of the Action Plan have been incorporated into the revised Action Plan</p> <p>Named officers have been assigned to all the 18 individual actions featured in the Action Plan</p> <p>The Action Plan is split into four quarters for the financial year 2010/11. Most actions have been assigned a target quarter for completion. Three of the actions are classed as "ongoing"</p> <p>The actions were not prioritised.</p> <p>Testing was undertaken to review progress as prescribed for quarter one for each of the 18 actions. It was pleasing to note that 15/18 of the actions were found to be implemented as per the targets set for quarter one.</p>		<p>Management Comment: Many of the actions have had to be put on hold due to the substantial reduction in procurement resource over the past 12 months. Existing resource has had to be targeted to those areas where value can be added, ie the support of procurement projects and initiatives.</p> <p>There has also been significant changes to operational strategies which has to be reflected in the formal procurement strategy and the associated action plans.</p>			<p>January 2012</p>	<p>A draft FCC and DCC joint work plan has been developed, which explores the potential of sharing procurement resources on a virtual arrangement. The implementation of the draft joint work plan is subject to the outcome of the Regional Procurement Shared Services project which is currently being considered.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	The original Action Plan is available for viewing on the Info net as part of the original Procurement Strategy. However the revised Action Plan is not.						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>persuading it to intervene. European tendering legislation is communicated across the Authority via advice given from the CPU and information contained within the CPR's. However, at the time of the audit the CPR's and CPU InfoNet site were showing the out of date Thresholds i.e. valid before 01/01/10.</p> <p>In the absence of a Contracts Register (this is an outstanding recommendation from the previous audit report and is detailed in Appendix A) it was difficult to obtain a sample.</p> <p>Especially for goods and services contracts. This is further compounded by the fact that contracts for goods and services are not specifically coded on the General Ledger.</p>		<p>The CPR's should show the latest European Union Thresholds for both works contracts and supplies and services contracts.</p> <p>Consideration should be given to amending the CPR's to state that for all purchases over the European Threshold the CPU must be consulted. <i>(This recommendation should be considered in addition to the review currently being undertaken to amend the CPR's to state that all contracts with an estimated total value exceeding £100k be professionally supported, i.e. with CPU involvement from the outset.)</i></p> <p>Management Comment: This key objective has been supported by Regeneration as well as Procurement for some</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>An attempt was made to examine the Capital Contracts Programme for works contracts although this only shows the annual spend not the estimated contract amount. At the end of the exercise, upon examining records held by Legal Services, five contracts were highlighted for inspection:</p> <p><u>Works</u></p> <p>1) Wynne Construction - 9.7 million - 2 x schools (Flint)</p> <p>2) Read Construction - 7.5 million - (Connah's Quay)</p> <p>3) Alun Griffiths Contractors - 3.5 million - Warren Bank Interchange</p> <p><u>Supplies and Services</u></p> <p>4) In4tek - £150,000 Paris Implementation</p> <p>5) Hertel UK - 2.4 Million Legionella Management</p> <p>The sample is small due to difficulties encountered in extracting data from the</p>		<p>time. The suggested route by the CPU has been to amend the CPR's to make this requirement mandatory and also to include not just historical data but data on future contractual spend.</p> <p>Agreed and can be included in the revision.</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>Financial ledger. Additional testing of compliance with EU Limits is to be carried out on the above area. The outcome of this will be reported separately.</p> <p>In 5/5 instances a copy of the advertisement was placed in the EU Journal to demonstrate compliance with EU Legislation.</p> <p>However, some of the information was held by neighbouring authorities and the information held by FCC was not always readily accessible.</p> <p>The CPU InfoNet site states "For all purchases over the European Threshold the CPU should be consulted"</p> <p>The CPR's state that advice should be obtained from the CPU only if officers are in any doubt over European Legislation.</p> <p>It is considered best practice to take advantage of the expertise of the Authority's</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>CPU who are well placed to offer advice, guidance and direction on such matters.</p> <p>Out of the five contracts featured in the sample the CPU were consulted on two occasions. A further two were collaborative contracts hosted by Wrexham County Borough Council and Denbighshire County Council and the other was arranged between the Highways Section (Environment) and the Welsh Assembly Government.</p> <p>A review is currently being undertaken with a view to amending the CPR's to state that all contracts with an estimated total value exceeding £100k be professionally supported, i.e. with CPU involvement from the outset.</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
7	<p>The CPU proactively contribute towards the work of the NWPP and where possible work with Service Areas to identify their contractual requirements.</p> <p>The Interim Head of Strategic Procurement and a Procurement Officer represent FCC on the Operations Board of the NWPP.</p> <p>The CPU provide category specific spend data on behalf of FCC to the NWPP as requested. The areas of spend are related to the areas of work that the NWPP are active upon i.e. where there is or where there is a planned framework agreement.</p> <p>However, the above process is hampered by the quality of the spend information at the disposal of the CPU. This will hopefully be improved as a result of an EProcurement solution which is currently being procured which will result in more meaningful spend information.</p> <p>There are also problems with compliance with framework agreements which is being addressed within FCC and the</p>	S	<p>Recommendations: In order to actively promote and communicate the NWPP Framework Agreements currently in place all such agreements should be displayed on the Procurement Unit's PASS InfoNet site which also displays all other corporate contracts.</p> <p>Consideration should be given to amending the CPR's to state that where there is a NWPP framework agreement in place that it must be used. If a decision is made not to use a NWPP framework agreement then an exemption request from the CPR's needs to be completed and authorised at the appropriate level.</p>	31.03.11	2	<p>01.12.11</p> <p>01.10.2011</p> <p>January 2012</p>	<p>All current NWPP Framework agreements are currently being promoted on the Infonet. Plans are in place to re-launch the PASS website by end of November 2011 following ICT re-development.</p> <p>A WPGA facilitated national working group has been set up to develop a revised national set of Contract Procedure Rules. The draft CPR's will be sent out for wider consultation during the summer, with a target completion date of early Autumn 2011. Any local CPR's reviews need to incorporate the outputs arising from the national working group. The draft version of the national CPR's have already recognised the need to mandate use of framework agreements.</p> <p>Revised draft National CPR's have now been received. The CPR's does incorporate the provision that framework agreements must be used, when suitable. The national CPR's are expected to be adopted locally in April 2012, with appropriate training undertaken.</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>NWPP. The NWPP Framework Agreements currently in place are not detailed on the PASS InfoNet site which displays all other corporate contracts. However, a NWPP Newsletter is featured on the CPU info net site which lists awarded framework agreements and future work programmes The NWPP is referred to once in the CPR's with there being a general requirement to use their framework agreements.</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>Management Comment: Work is currently being undertaken by the partnership and Flintshire in identifying a suitable supplier management database where all of the NWPP suppliers will sit. In the medium to long term this information will all be referenced through e-procurement and the e-trading hub. Timescales will be dictated in the short term by NWPP and in the medium to long term by the Flintshire e-procurement project plan</p>				

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

DATE ISSUED: FEBRUARY 2009

Project Ref:	FL0300L1
	Enforcement

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Directorate: Implemented Date	Finance Management Comment / Progress
4	With no current policy, and no proposals in the draft policy document referred to in paragraph 2, there is currently confusion around responsibility for the identification of Executors, and the submission of appropriate claims against the Estates of deceased service users.	S	<p>Recommendation</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 Enforcement team or the Legal team.</p> <p>A statement of policy and an operational 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 	June 2009	2	<p>March 2010</p> <p>Nov 2010</p> <p>Sep 2011</p>	<p>Significant resource issues have resulted in a delay implementing this recommendation.</p> <p>Resource allocated to conduct review of Corporate Debt Policy and Procedures.</p> <p>The resources that had been recruited to work on Corporate Debt left the authority at the end of July 2010.</p> <p>It has subsequently been decided that Corporate Debt is to be fully reviewed as part of the Flintshire Futures programme and this issue will be addressed as part of that process.</p>

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
			<p>with debt to the relevant recovery team;</p> <ul style="list-style-type: none"> • 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. <p>Management Comment Registrar completes a deceased list weekly and distributes it to Local Taxation and Electoral Services. List needs to be made more widely available, via Infonet, and Operational procedure established.</p>			March 2012	<p>Corporate Debt has been designated as one of the Flintshire Futures Projects - this work has been reviewed as part of a Lean Project and further work done by Deloitte to inform the Corporate Debt Project – a Project Initiation Document has been produced and agreed 24 November 2011 and the Project Board and Team identified – work will start in December 2011. This will cover all of the issues raised in this Audit, the original FF's Scope, the Lean Project recommendations and the Deloitte's Review recommendations.</p>

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
28	<p>The monthly suppression reports were reviewed to ensure they included an appropriate level of detail. In addition discussion took place with Directorate finance teams to gauge their views on the usefulness of the reports. Review and discussion identified;</p> <p>The invoice date is not included on the monthly suppression report (although it is acknowledged that the report does not show the number of days the debt has been outstanding</p> <ul style="list-style-type: none"> The date the suppression has been added to the account is not reflected on the monthly suppression report; <p>There is no scope to include suppression expiry dates on the monthly suppression report.</p>	S	<p>Recommendation</p> <p>The monthly suppression reports should be amended to reflect the invoice date and the date the suppression was added to the account, thus allowing easier identification of old debts, and those accounts which have been suppressed for significant periods of time.</p> <p>Consideration should also be given to the use of suppression expiry dates (of up to 3 months) on suppressed accounts to ensure that suppressions are not allowed to remain against accounts indefinitely.</p> <p>Management Comment</p> <p>Under review to determine feasibility.</p>	Aug 2009	1	<p>March 2010</p> <p>October 2010</p> <p>September 2011</p>	<p>Significant resource issues have resulted in a delay implementing this recommendation.</p> <p>The Corporate Debt review will incorporate this aspect of recovery process and reporting options. Timeline adjusted to reflect the project timescale.</p> <p>It has been decided that Corporate Debt is to be reviewed as part of the Flintshire Futures programme and this issue will be addressed as part of this process.</p> <p>Suppressed accounts are now proactively monitored by the AR section on a monthly basis. System limitations mean this is a labour intensive, manual process.</p>

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
29	<p>There are no BVPI's (Best Value Performance Indicators) in place for local authority debt collection and recovery, and there are no internal targets for the recovery of debt or for acceptable levels of bad debt within the authority.</p> <p>Discussion with the Fraud and Enforcement Manager confirmed that it is difficult to attribute recovery specifically to the Enforcement team; debt may have been settled without any intervention from the Enforcement team, the debt may have been settled as the consequence of a systems generated reminder or staff within the issuing departments chasing debt; settlement within a month / quarter may have related to recovery action taken in a previous month / quarter.</p>	S	<p>Recommendation 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>Consideration should be given to benchmarking at service level with other Local Authorities (benchmarking staff numbers, total AR debt; bad debt provision, etc). It should be ensured that adequate resources are made available to progress the development of the aged debt 'trend analysis' report.</p> <p>Management Comment Process under review</p>	June 2009	2	<p>March 2010</p> <p>Oct 2010</p> <p>Sep 2011</p>	<p>Significant resource issues have resulted in a delay in full implementation of this recommendation.</p> <p>Corporate Debt review will incorporate performance management of all stages and reporting options. Timeline adjusted to reflect the project timescale.</p> <p>It has been decided that Corporate Debt is to be reviewed as part of the Flintshire Futures programme and this issue will be addressed as part of this process.</p>

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>Currently the main indicator of the performance of the Enforcement team is the bad debt provision (prepared by the Systems and Performance Manager and reviewed by Finance Management).</p> <p>The Enforcement Manager is currently in the process of developing a 'trend analysis' report, providing information relating to trends in the levels of recovery from month to month. There have however been a number of problems with the Masterpiece query, and to date the report is failing to accurately reflect the ageing of the debt at the point of collection. The report therefore remains in development.</p>						

Status: 1 – Implemented
2 – Not Implemented

Project Ref:	FL0070M1
	Procurement

Directorate:	Finance
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3 – No longer applicable

DATE OF AUDIT: 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. Therefore would suggest that a fewer number of individuals are targeted, i.e. 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</p> <p>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, i.e. 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. 					<p>January 2011</p> <p>October 2011</p> <p>January 2012</p>	<p>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.</p> <p>The award of the e-procurement solution provider has now been completed. A e-procurement project plan will be developed within next 3-4 weeks, which will include a task to collate officer names that are involved in procurement activities.</p> <p>As part of the e-procurement implementation plan for each Directorate, officer names that are involved in procurement activities are being collated on an ongoing basis. Additionally, further imminent work will be carried out in identifying procurement staff for the purpose of verifying the Regional Procurement Shared Services business case.</p>

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: 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: 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>October 2011</p> <p>January 2012</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> <p>As response to Para 1 a)</p> <p>As response to Para 1 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
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: 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>	31.12.09	2	<p>End July 2010 subject to CMT approval to other key amendments</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>
						January 2011	<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>This recommendation will be implemented in the next review of Contract Procedure Rules to clarify that non compliance could result in disciplinary action.</p> <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>			<p>September 2011</p> <p>January 2012</p>	<p>Revised Contract Procedure Rules are being developed nationally by a WLGA led working Group. It's expected that a Draft version of the CPR's will be sent out for wider consultation during April. It's expected that this work will be completed during August 2011, with the option to incorporate local variations. Hence, the need to consider the work of the national group prior to changing local CPR's</p> <p>Revised draft National CPR's have now been received. The CPR's does incorporate the provision that non compliance may result in disciplinary action against the officers concerned. The national CPR's are expected to be adopted locally n April 2012, with appropriate training undertaken.</p>

- Status:
- 1 – Implemented
 - 2 – Not Implemented

Project Ref:	FD0615P1
	Housing Benefits - WAO

Directorate:	Finance
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- 3 – No longer applicable

DATE ISSUED: AUGUST 2011

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3.1	<p>A sample of 25 Housing Benefit Claims was selected at random from the payment run dated 14th June 2010. These were checked to the live IBS system for accuracy and correct application</p> <p>Our testing revealed: 9/25 claims had been assessed correctly</p> <p>8/25 had resulted in underpayments as the new applicable LHA rates had not been updated from the anniversary of the date of the claim. The system had failed to update these claims on the due</p>	S	<p>Recommendation: 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.</p> <p>Management Comment:: For the claims where there were system problems, this has now been fixed.</p>	31.12.10	1	30 th April 2011	<p>A full process review for new claims and changes in circumstances is currently under way. This will identify the current way that we are working and the processes and procedures that are in place to administer claims. We are also looking at the way that we are using our IT systems and the reporting tools that we are using. Once this review is undertaken we will be identifying what management controls are missing to ensure that errors are minimised and that benefit claims are paid as efficiently and effectively as possible.</p> <p>A robust accuracy regime is also being put in place. This will be based on risk assessment . The section will use the CRA system and also other high risk areas that have been/ will be Identified going forward. These will include high risk areas around subsidy such as Rent Officer decisions and classification of overpayments. It</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>dates. The system has since been rectified and is now automatically updating LHA claims on the anniversary of the claims.</p> <p>1/25 the claim had the incorrect maternity allowance on the system resulting in an overpayment of £5.85.</p> <p>1/25 the change in LHA rate had not been picked up on a report of updates requiring action.</p> <p>1/25 the claim had adjustment payments because of a system error altering the rent allowance and LHA rate in error.</p> <p>3/25 the incorrect rent figures had been input to the system, one resulting in a large underpayment, one not affecting the claim and one resulting in a small underpayment. Also on one of these claims only one non</p>		<p>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 minimising future occurrence.</p>				<p>will also include areas identified in audits both internal and from the WAO.</p> <p>This accuracy process will be co-ordinated on a weekly basis by Benefit team Managers. All staff in benefits will be held individually responsible for critical and non-critical errors and checks will be made both pre- notification and post notification. Management information will be collated for reporting purposes against targets that are to be set. It is envisaged that targets will be set over a 3 year period. For 2011/12 90%, 2012/13 92% & 2013/14 95%.</p> <p>Individual targets for staff will also be set and individual case monitoring will also be based on risk.</p> <p>All errors that are found are to be amended by the individual member of staff who made it and all targets and performance against those targets will be reported to staff at their monthly one to ones and also will form part of the appraisal process.</p> <p>The cases that are were identified as part of the Original testing form IA and the WAO are currently being analysed and risk assessed. 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
	<p>dependent is shown on the system and the DWP letters show two. The dependent shown on the system was not one of the two disclosed on the DWP letter.</p> <p>1/25 Housing Benefit had been paid for a month after the claimant had vacated the property and had not been picked up, resulting in an overpayment.</p> <p>1/25 although the claim was correctly assessed there had been no clarification of the bank details supplied by the claimant in the name of another person.</p> <p>In summary 16% of claims sampled had errors due to incorrect input of data, 8% of claims had errors due to the assessor not picking up all the information available from the system, 4% of claims had</p>					<p>31st August 2011</p> <p>31st October 2011-</p>	<p>The Department of Works and Pensions Performance and Development Team is currently working with the department to review all processes. This is to be completed by the 31st August 2011.</p> <p>To be completed by 31st October 2011 Completed</p>

- Status:
- 1 – Implemented
 - 2 – Not Implemented

Project Ref:	FD0040P1
	Medium Term Financial Strategy

Directorate:	Finance
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3 – No longer applicable

DATE ISSUED: 20th April 2011

ACTION PLAN

Para.	Recommendation	Cat	Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
10	The Authority has recognised that capital programme planning needs to be integrated into the MTFP to bring together the revenue and capital financing and expenditure plans.	S	<p>Recommendation: The MTFS should incorporate capital programme planning with sensitivity reviews based on key variables.</p> <p>Management Comment: Officers have committed to providing Members with a Prudential Borrowing Strategy post April 2011.</p>	Summer 2011	2	Dec 11	Work has been progressing on identifying capital expenditure needs across all services. Meetings have taken place with all Departments during August, and will be the subject of detailed consideration by the Corporate Management Team and Members at a workshop scheduled in December. This work will not only identify capital financing requirements but will inform the development of a prudential borrowing strategy for major capital items and firmly link the capital programme with the revenue budget.

Project Ref:	LD0220N1
	Employment Practice Codes

Directorate:	Legal & Democratic
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Status: 1 – Implemented
 2 – Not Implemented
 3 – No longer applicable

DATE ISSUED: MAR 2010

ACTION PLAN							
Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1.7.4	The CRB database states the results of the disclosure (whether a conviction or warning) but does not include the	S	Recommendation: The CRB policy should be updated to include the fact that disclosure results (conviction	Nov-10	2	End of Jan 2011	ISA implementation has been put on hold so a new policy has not been developed. The CRB policy is being revised and a form of words will be agreed and incorporated into revised CRB policy.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	details of any convictions. The CRB policy includes a list of field headings which are contained within the CRB database; information relating to the results of the disclosure is not included in the list.		or warning) are held within the CRB database. Management Comment: To be reviewed alongside ISA Review			End of March 2011 End of Sept 2011 On hold – but proposed by begin April 2012	As above Draft policy has been created but there is a dependency on a CRB report that is awaiting CMT decisions – this should be completed and agreed before the beginning of next financial year.

- Status:
- 1 – Implemented
 - 2 – Not Implemented

Project Ref:	HR0200N1
	Recruitment Policy

Directorate:	Human Resources
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- 3 – No longer applicable

DATE ISSUED: 27th September 2011

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>A sample of 7 new posts (recruited prior to April 2010) was selected for detailed review. A copy of the short listing matrix was on file for 2 of the 7 posts reviewed. There was no evidence of the short listing process being undertaken for the other 5 posts.</p> <p>HR confirmed that these documents should be on file (in line with the Recruitment Policy Operating Procedures). The HR Service Centre Manager confirmed that the recruiting manager is responsible for ensuring the completeness of the job file, but the files should be checked by the HR Service Centre to ensure they contain all the appropriate documentation supporting the appointment.</p>	S	<p>Recommendation: To ensure an adequate audit trail and to ensure adequacy of documentation in the event of challenge, each Recruitment file should contain a copy of the relevant short listing criteria and the completed short listing matrix.</p> <p>Management Comment: A checklist for the job recruitment file contents is to be introduced and all HRSC staff to be briefed on the requirements. Management spot checks are to be introduced to ensure compliance.</p>	1.11.11	1		A checklist is in place for the job recruitment files and an internal auditing process (monthly) has been agreed and is in place.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	There was no evidence of 'unsuccessful at application' letters on file for 6 of the 7 posts reviewed; it was noted however that these letters are generated through RMS and may not have been printed out and filed).						

- Status: 1 – Implemented
2 – Not Implemented

Project Ref:	HR0150N3
	Payroll

Directorate:	HR
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3 – No longer applicable

DATE ISSUED: 27th September 2010

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
11a)	New starter forms had been used in all cases. All had a line manager signature but this is not checked by HR staff. It was noted that a different new starter form has been used for education staff and this form does not include the requirement to submit an NI number.	S	<p>Recommendation: The new starter form for education staff should be examined to ensure it includes all details required; the form should include space for an NI number to be submitted.</p> <p>Management Comment::</p>	31.12.10	1	31.09.11	HR Service Centre forms currently being revised following completion of the new format, Forms for school based staff will be developed to mirror the revised Service Centre design (including the National Insurance number). ICT Development scheduled for September
						31.10.11	Revised new starter forms for Education staffing do now have the NI number of them.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
14a	<p>The information on three of the new starter forms did not exactly match that held within the payroll system.</p> <p>End dates had not been completed for any of the one off payments in the sample. Eight of the one off payment approval forms had been certified and authorised by the same person.</p>		<p>Draft new starter form including the NI Number was agreed by Payroll & Internal Audit in August 2010.</p> <p>Form to be revised to include the additional pay details needed for teaching staff. Schools to be advised of the new requirement to complete form.</p> <p>Recommendation: All one off payments should be listed by the appropriate job title within the payroll system and end dates should be entered to allow for correct establishment control</p> <p>Management Comment: Groundwork in reducing the number of position titles commenced as part of the Trent Improvement Project in March 2010.</p>	31.03.11	1	30.9.11	<p>Work on-going to stop all One off payments being paid using the current claim form and process. We aim to cease all payments by 30.09.11. and ensure that in future Managers concerned use the Establishment Control process.</p> <p>30.09.11 – Completed: All “One Off Payment” positions have been closed. All workers not paid in previous 12 months’ “One Off” records have been closed with the remainder moved to a new unit outside of the FCC organisation named “Non FCC Worker”, all current positions have been assigned appropriate job titles. A new pay/element code “Non FCC Fees” has been created which appears on payslips by way of confirming to the worker that the payment is not related to FCC.</p>

Project Ref:	HR0150P2
	Payroll

Directorate:	HR
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- Status:
- 1 – Implemented
 - 2 – Not Implemented
 - 3 – No longer applicable

DATE ISSUED: 27th June 2011

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 11 new starter forms examined the following information was identified: <ul style="list-style-type: none"> • New starter forms had been used in all 	S	Recommendation: New starter forms without appropriate authorisation should be rejected by HR staff.		1		

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
5b	<p>cases, were fully completed and the details on the form agreed to the payroll system.</p> <ul style="list-style-type: none"> • 6/11 starter forms were found to have been authorised by officers on the authorised signatory lists (manual records and spreadsheet) • 3/11 starter forms were found to have been authorised by an officer who was not present on the list of authorised signatories • 1/11 starter form was authorised by an officer who did not have the correct level of authorisation • 1/11 starter form was authorised by an officer whose signature was not legible <p>Discussions were held with HR Operational Manager who confirmed that all new starter forms should be checked by HR staff to ensure that they</p>	S	<p>Management Education Staffing will be reminded to check signatories</p> <p>Comment:: assistants to check</p>	31.08.11 31.10.11		31.10.11	<p>Schools do not currently use corporate starter forms. Schools appointment forms to be checked once authorised signatories list is received from Payroll Section.</p> <p>HRSC have been reminded to check that submitting officer is included in the certifying officers list – if not the form is rejected.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	have been appropriately authorised.						
6b	<p>From the 10 leaver forms examined the following information was identified:</p> <ul style="list-style-type: none"> • 8/10 leaver forms were fully completed and the details on the form agreed to the payroll system. • 7/10 leaver payments were processed in a timely manner • 2/10 leaver forms were received late by payroll resulting in an overpayment and cancelled pay to staff members • one leaver form had an incorrect leaver date recorded on it which resulted in a timesheet being submitted and authorised after the actual leave date • one leaver form was not completed for a staff member 	S	<p>Recommendation: Directorates should be reminded that they must submit leaver information on the payroll section in a timely and accurate manner</p> <p>Management Comment: Schools will be reminded of the importance of submitting all forms in a timely manner.</p>	31.08.11	1	31.10.11	Reminder has been issued via workforce news re payroll deadlines and the impact of late submission of forms.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
6c	<p>employed in the Theatr. An interrogation of the payroll system showed only one payment episode made to the employee resulting in an one off payment</p> <ul style="list-style-type: none"> On one occasion a T36 form (LGPS Notification of Termination) was held on file instead of a leaver form <p>Catering use their own version of a leaver form</p>						
	As above		<p>Recommendation: Standard leaver forms should be used across the Authority</p> <p>Management Comment: Redesign of all forms currently used by non-school based staff is ongoing, following completion of the exercise work will commence to align those forms used for school based employees</p>	30.9.11	2	End December	<p>IT development time has been scheduled for September – revised leavers forms now complete and being trialled across the organisation.</p> <p>All new HR forms are being used and are available on the Infonet – IT development work is underway – scheduled release date end December 2011. At which point we will consider how to align forms with schools. Schools have however recently re-designed their forms and it may be that we will not be able to merge the forms as the requirements are different.</p>

Project Ref:	IT0030N2
	PCI Compliance Follow Up

Directorate:	IT
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- Status:
- 1 – Implemented
 - 2 – Not Implemented
 - 3 – No longer applicable

DATE ISSUED: 4th 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
1	<p>During the course of the review we identified that ownership of the PCI DSS compliance framework has not yet been formally assigned within the Council. This may be impacting on the progress being made to implement the agreed actions and may provide an increased risk to the Council in the operation and control of the PCI requirements.</p> <p>Management should assign formal ownership for PCI DSS compliance to a role with</p>	F	<p>Recommendation: Corporate Management should assign formal ownership for PCI DSS compliance to a role with appropriate seniority within the Council to ensure a coordinated approach to the completion of the agreed actions arising from the Socitm report. Dates should also be specified for the completion of the outstanding actions.</p> <p>Management Comment: A Task and Finish Group is to be established by the Information Security Manager</p>	Aug 2010	2	May 2011	<p>6th December 2010</p> <p>Work in progress</p> <p>8th June 2011</p> <p>A meeting is scheduled to discuss the future direction of the Councils payment system. This decision will impact on the PCI DSS compliance requirements.</p> <p>5th September 2011</p> <p>The Finance led 'Methods of Payments' Project under Flintshire Futures is awaiting a Project Manager to be assigned. PCI DSS compliance will be in scope for this project.</p>
	<p>appropriate seniority within the Council to ensure a coordinated approach to the completion of the agreed actions arising from the Socitm report.</p>		<p>to address the issues. Each section processing card payments will be required to participate and take ownership for PCI DSS compliance.</p>			June 2012	<p>8th November 2011</p> <p>The Authority has been informed by the current supplier of the cash receipting system that their payment application will be PCI DAS compliant by June 2012 however this requires a move to the hosted solution. The supplier has indicated that they will no longer support an on-site card server.</p>

- Status: 1 – Implemented
2 – Not Implemented

Project Ref:	IT0230P1
	Masterpiece Security System

Directorate:	Finance
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3 – No longer applicable

DATE ISSUED: 19th April 2011

ACTION PLAN

Para.	Recommendation	Cat	Recommendation & Management Comment	Original /Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
9	<p>The audit log does not record user views, it only records where any file has been updated by the Masterpiece system (e.g. add, change or delete).</p> <p>It is only possible to use the audit logging functionality for one file e.g. any changes to vendor name and address or any changes to vendor bank details. It is not possible to run the audit log over more than one file.</p>	S	<p>Recommendation: The situation regarding the use and capability of audit logging within the Masterpiece system should be reviewed. The review should involve all stakeholders and should determine the reasons for audit logging, the levels required and how this could be achieved</p> <p>Management Comment: A paper will be produced</p>	After July 2011 (post FM4 upgrade)	2		<p>Needs further work. FM4 upgrade problems still requiring a lot of staff input.</p> <p>As Stated recently the current Accounting System (Masterpiece) can not comply completely with the Audit Recommendations.</p> <p>Implantation of the recommendations can therefore only be achieved following the procurement of a new Financial System.</p> <p>A Report outlining the limitations of the Financial System(Masterpiece) is to be prepared for</p>

ACTION PLAN

Para.	Recommendation	Cat	Recommendation & Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>A test was completed of changes to the audit vendor name and address file which proved that it was possible to see the user id of the user who originally set up the entry and the user id of the user effecting the change.</p> <p>An attempt was made to record an audit log of users updating the system however this did not appear to have been successfully recorded on the audit log.</p> <p>The lack of audit trails means that any investigations necessary which involve data from within the Masterpiece system may be more time consuming and difficult to resolve.</p>		<p>reviewing the problems and limitations of the current system and identifying practical possibilities for improvement. The paper will be produced for the Head of Finance to consider.</p> <p>However WAO have already recognised that due to the limitations of the current system significant improvement will only be made when a new system is implemented.</p>				<p>comment by the Head of Finance following the FM4 upgrade and the Implementation of the P2P project (Pilot went live 25th November)</p>

- Status:
- 1 – Implemented
 - 2 – Not Implemented

Project Ref:	CH0060M1
	Rent Recovery and Enforcement

Directorate:	Environment
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- 3 – No longer applicable

DATE ISSUED: MAY 2009

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
18	<p>There is a set procedure in place detailed within the Former Tenants Rent Procedures Manual for the pursuance of rent arrears from former tenants and a number of processes have to be followed prior to arrears being written off.</p> <p>It is the responsibility of each Rent Officer to consider if all avenues have been pursued before recommending a write off. Categories have been included within the IBS computer system to assist officers in making a recommendation.</p>	S	<p>Recommendation</p> <p>Debits must only be recommended for write-off when exhaustive measures have been clearly undertaken to recover them to ensure monies due to the Authority are not being lost unnecessarily.</p> <p>Management Comment</p> <p>Rents Working Group agreed to explore the potential for new arrangements for the tracing of debtors and for collection of former arrears as part of new write off procedures.</p>	July 2009	2	Jan 2012	<p>The new dedicated Income Management team started on the 11th July 2011.</p> <p>Following meetings with the Procurement Section, a tender is currently being drawn up for former tenant arrears to be sent to an outside debt recovery company to recover. This will help to ensure that we collect the highest level of former tenant rent arrears possible.</p>

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>FW1 Uneconomical to pursue. All debts of less than £5.00 (or less than one weeks rent on garage tenancies) are to be listed for write off straightaway.</p> <p>FW2 Tenants deceased where there are no funds in the estate.</p> <p>FW3 Tenants who cannot be traced (NFA).</p> <p>FW4 Tenants where a bankruptcy order has been attained.</p> <p>FW5 Debts over six years old are considered out of time (Statute Barred).</p> <p>FW0 All debts where the Councils debt collection service has failed to collect.</p> <p>FWC A Credit Balance.</p> <p>If a recommendation is made to write off rent arrears, agreement is sought from the Rents Manager who then compiles all data for approval.</p> <p>On a quarterly basis individual debts to be written off must be presented to the Head of</p>						

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>Customer and Housing Services for approval and referral to the Head of Finance, Corporate Services. Individual debts in excess of £5000 also require the authority of the scrutiny committee.</p> <p>On receipt of the authority A sample of ten accounts which had been recently approved for writing off were selected to establish what procedures had been followed and ensure that all avenues had been pursued prior to the arrears being written off.</p> <p>Concerns were identified in that a sample of debts appeared to be written off too quickly without further investigation. This occurred when the forwarding addresses have been known, the tenant was in known employment, pursuance letters have not been issued.</p> <p>The Housing Estates Manager reported that a new Allocations Policy is to be adopted to prevent former tenants being</p>						

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	allocated another property when they have outstanding debts. Debt Collection Agencies are also being considered to recover debts.						

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

Project Ref:	CS0130M1
	Subsistence & Allowance

Directorate:	HR & OD
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DATE OF AUDIT: February 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	The allowance rates for incurred mileage are set nationally and are laid out in the National Agreement. (Green book). The amounts for post entry training are also set nationally and are detailed in the National Agreement. 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. They have not been reviewed or increased during this eleven year period. Of the four Directorates examined only	F	Recommendation 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. Management Comment A policy / guidelines can be produced by Human Resources.	31.07.09	2	End of December 09 31 July 2010	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. 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.

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>					<p>30th November 2010</p> <p>31 March 2011</p>	<p>Expenses Guidelines were drafted and circulated for comment and feedback by 9th 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.</p> <p>The need to review our position in relation to expenses and subsistence rates and practice has been reinforced given our current discussions on other Costs of Employment matters and proposals for change that are currently being formulated, discussed with the TUs and agreed with Elected Members. The natural progression from moving forward with these proposals will be to consider other elements under Costs of Employment, which will include expenses and subsistence. More time is required to do this and the work undertaken to establish our current position will not be wasted. Our proposals for change will be considered and formulated by the end of this financial year 2010 /11 in preparation for implementation in the early part of 2011/ 12.</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>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>					<p>October 2011</p>	<p>Whilst there are clearly 'housekeeping' issues regarding the proper authorisation of claims, it is felt that to review guidance and ensure that this is being closely adhered to by employees and managers should be implemented simultaneously.</p> <p>In line with ongoing discussions regarding above proposals.</p>
						<p>1 April 2012</p>	<p>The Expenses guidance has been reviewed in light of Part 3 (terms and conditions) proposals and has been amended accordingly. The HR and OD team are currently designing and implementing the module on iTrent for Expenses and Subsistence (to enable employees to claim their expenses and managers to authorise claims electronically). The principles set out in the guidance need to be tested on the system and possible amendments made to the guidance if necessary to ensure that they are workable for processing both paper and electronic claims. The testing of the system is being carried out currently and will be completed by March 2012. The guidance will be finalised and implemented in readiness for the start of the financial year 2012 / 2013.</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	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.	S	<p>Recommendation 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 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>31 March 2011</p> <p>October 2011</p> <p>April 2012</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> <p>See comments above regarding the review of expenses and subsistence rates and implementing guidance for authorisation simultaneously.</p> <p>In line with ongoing discussions regarding above proposals</p> <p>See explanation in 1 re progress. These requirements are set out in the guidance. Only managers who are authorised to approve claims will be allowed to do so on the iTrent system.</p>
4	In the main receipts had been obtained for items of expenditure. A small	S	<p>Recommendation The claims forms should always provide the necessary</p>	31.07.09	2	As above	Recommendation accepted.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>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>		<p>receipts for incurred costs, prior to being processed.</p> <p>Management Comment</p> <p>To be included in policy / guidelines</p>			<p>31 July 2010</p> <p>31 March 2011</p> <p>October 2011</p> <p>April 2012</p>	<p>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.</p> <p>See update above regarding the review of expenses and subsistence rates and authorisation practice.</p> <p>Relevant wording already incorporated into draft Guidance.</p> <p>See above – this has already been incorporated into the guidance.</p>
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</p>	5	<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	<p>Recommendation accepted. A Policy and Guidelines are to be drafted. A timeline to be provided once this is in scope.</p> <p>See previous comments</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>separate and identify the V.A.T. onto the claim form. At present this is not carried out. The Senior Accountant (tax expert) should be contacted to give further advice to individuals.</p>		<p>Management Comment To be included in policy / guidelines</p>			<p>31 July 2010</p>	<p>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.</p>
						<p>31 March 2011</p>	<p>Recommendations will be incorporated into the review of expenses and subsistence rates and authorisation practice.</p>
						<p>October 2011</p>	<p>Relevant wording already incorporated into draft Guidance.</p>

Status: 1 – Implemented
2 – Not Implemented

Project Ref:	CS0070P1
	Children's Services Taxis

Directorate:	Community Services
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3 – No longer applicable

DATE OF AUDIT: March 2011

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1	It became apparent during the audit that Transfer Request Forms were sometimes: unsigned, not coded, coded incorrectly, lacking an end date, not displaying the names of escorts, did not always show the successful operator, daily price, contract number, were lacking an approval and date and that requests for transport were sometimes made at short notice. It is therefore necessary to formalise the processes	S	<p>Recommendation: To formalise the process for requesting transport for children consideration should be given to either the compilation of a Service Level Agreement or a set of written procedure notes</p> <p>Management Comment: Template to be provided by Transport Section and discussion to ensue with PMI Team.</p>	01.04.11	2	1.9.11	<p>SLA not yet agreed – will bring up at next group managers meeting to progress – awaiting appointment of new manager to progress.</p> <p>I have a meeting with Managers from Education on Monday – I have a copy of our SLA with Education and will be recommending that we amend this document to use as SLA for Children Services Transport.</p> <p>Next meeting is then with SC Managers on Wednesday 21st September to further discuss.</p> <p>Met with CS Managers November 10th and</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>contained within the system with both Children's Services and Transportation signing up to the level of service they expect from each other and the level of documentation and timescales that are required to administer the service efficiently and effectively. Additionally consideration should be given to the compilation of written procedures.</p>						<p>agreed to meet with key Managers to agree a SLA.</p> <p>Peter Robson and Mike Sullivan to agree SLA and have implemented by 1st April 2012. This will take several meetings with input from Managers from LLL and Children Services.</p>
8	<p>The system operates as follows: The Transportation Section receives TRFs from Social Workers. These are mainly ad hoc requests and can be for journeys anywhere in Flintshire. Some of the journeys are for one day only with others being for longer periods of time. Transportation Section staff then check to see if the journey is on an existing school run or is covered by any other existing methods of transport. If the journey is not</p>	S	<p>Recommendation. Consideration should be given to compiling a tender based upon total annual spend or anticipated aggregated spend with a view to there being one successful operator for each defined geographical area of Flintshire with a set mileage rate operating for all journeys within each of the individual areas. Advice should be sought from the Corporate Procurement Unit on alternative ways of procuring the service.</p>	31.10.11	2		<p>Since the start of this Audit we have seen a considerable reduction in requests from Children Services. With such a small amount of work involved I would request that we continue the current arrangements with 3 quotes and modify the form as requested.</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>then the procedure below is followed.</p> <p>In response to the above for each individual request the Transportation Section then telephone the journeys required to three taxi operators (if possible) for quotations. The operators then telephone or fax back (could not find any evidence of faxes being submitted by operators) their quotes for the journeys. The Transportation Section then select the operator with the lowest quote.</p> <p>The operators asked to provide quotations are selected based upon those that operate within that geographical area, availability, staff knowledge and past experience.</p> <p>The Transportation Section confirm the work and allocate a new contract number and telephone the successful operator which is subsequently followed up with a fax confirmation. (could not find any evidence of faxes being submitted to operators)</p> <p>The above process appears</p>		<p>If the existing system is to be continued:</p> <p>Part B of the TRF should always be fully completed in respect of</p> <ul style="list-style-type: none"> • 3 operators and quotes obtained • The successful operator and cost per day • Contract number • Approved by • Date <p>Additionally the form should be expanded with a "comments" section to allow Transportation staff to explain why on certain occasions three quotations have not been obtained.</p> <p>Operators should be made to fax in their quotations. These should be held on file for each transport request as evidence that the most advantageous quotation was obtained i.e. there needs to be independent documented evidence held on file to substantiate why one particular operator has been awarded the contract over the two others.</p> <p>Where operators have stated</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>rather onerous considering the relatively low value of the transactions involved.</p> <p>For 2010/11 the budget for Children's Services taxi costs was £56, 697.00. This is made up of a high number of generally low value transactions for a specific service.</p> <p>A sample of 10 Transport Requests Forms were examined with a view to determining whether value for money had been obtained and that there was a sufficient audit trail in operation.</p> <p>The following was noted:</p> <p>Part B of the TRF was not always fully completed by Transportation staff.</p> <p>There was no independent documentary evidence held on file supplied by the operators i.e. no faxed quotations. All prices obtained were handwritten onto the TRF by Transportation Section staff</p> <p>It was therefore not possible to independently determine whether value for money had been obtained.</p>		<p>that they could not submit a price for whatever reason then this needs to be conveyed by the operator in documentary form and held on file.</p> <p>Management Comment</p> <p>Meeting held with Procurement to discuss – Geographical areas already in place – hope to implement for October tenders</p> <p>New transport form is a huge improvement though it uses much more paper (but not a huge volume).</p> <p>Faxed quotations will be done unless emergency contract situation as far as I remember.</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>In some cases reasons other than price are used in the selection of the operator. These are not always detailed on the TRF i.e.</p> <ul style="list-style-type: none"> • social worker requests a particular escort and operator. • Insufficient operators are interested in the work • insufficient notice of the required transport means that only a limited number of operators can provide a quotation • transport request is on the same route as an existing school run e.g. a variation <p>It should be noted that there is no provision made on the TRF for any additional comments.</p>						

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

Project Ref:	EC0030K1
	Youth & Community

DATE ISSUED: SEPTEMBER 2007

Directorate:	LIFELONG LEARNING
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ACTION PLAN

Para.	Test Result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
2	Some of the youth clubs are operated by a management committee. The situation was last considered by Scrutiny Committee in 2005 when it was agreed that a review of the Youth Club Management Committee structure was to take place and a report was then to be presented to Scrutiny Committee in early 2006. The matter has not been fully resolved to date. The issue of Youth Club Management Committees will need to be agreed with Members. However, a full review of the service is being carried out	S	<p>Recommendation</p> <p>A decision on the issue of the existence of Youth Club Management Committees in the Youth Service should be made following the imminent review of the service.</p> <p>Management Comment</p> <p>This issue will be resolved as part of the new Plan for the Youth & Community Service.</p>	<p>Plan finalised: November 2007.</p> <p>Implemented: April 2008</p>	2	<p>Revised date 1 1.4.09</p> <p>Revised date 2 1.9.2009</p> <p>Revised date 3 01.04.2010</p>	<p>Implementation of Youth Service Strategy delayed by elections, and the need for wider consultation with staff, trade unions, young people and key stakeholders.</p> <p>Review of Youth Service now linked to phase 2 of Organisational Redesign within FCC.</p> <p>New Youth Service Strategy is now part of Phase 2 or Organisational Redesign within FCC. Consultation Draft of new Strategy approved by Executive on 04.08.2009.</p>

ACTION PLAN

Para.	Test Result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	during the autumn of 2007 which will include this issue. A period of consultation with the Youth Club Management Committees is currently underway					31.12.2010	Youth Service Strategy now approved. New Service Plan detailing models of Service structure will be out for consultation between 1 Aug 2010 and 31 Oct 2010.
						Revised date 4 01.09.2011	Draft Youth Service Delivery Plan going to LSG on 02.03.2011 for approval as a consultation document.
						Revised date 5 01.05.2012	Members rejected the draft proposals on service buildings. Approval was given to consult on staffing proposals. Consultation with staff and trade unions starts on 17 November 2011.

Status: 1 – Implemented
2 – Not Implemented

Project Ref:	EC0070L1
	Leisure Management

Directorate:	Lifelong Learning
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3 – No longer applicable

DATE ISSUED: DECEMBER 2007

ACTION PLAN

Para.	Test Result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
21	<p>Debt Management Policy. Processes were found to differ at each leisure centre.</p> <p>At Deeside a formal policy for bad debts was developed during the audit, which included issuing final demands after 20 days and proceeding with court action after a further 7 days.</p> <p>To chase bad debts a message is put on the members account so that the receptionist asks for payment when they next use the facilities. Letters are not usually sent. If a debt needs to</p>	S	<p>Recommendation</p> <p>A debt management policy should be introduced for all leisure centres and consideration should be given to the centralisation of the debt collection function to the Deeside Administration team. This would ensure that there is consistent treatment of all debtors.</p> <p>Management Comment</p> <p>The risk is acknowledged. Implementation as suggested is dependent on a restructure of current staffing establishment. Current practice will have to continue pro tem.</p>	December 2008	2	Revised date 1 July 2009	<p>We wish to proceed with this recommendation and are currently seeking to establish and fill a Clerical Assistant post to be based at Deeside Leisure Centre and which will focus on debt collection as a part of the duties. We have piloted this to good effect over recent months with a colleague who has now gone on Maternity leave. It also forms a part of our restructuring proposals for Centre based staff and which is one element of the Leisure Strategy proposal currently out to consultation. By Summer 2009 it is hoped we will be in a position to fully reflect this recommendation.</p>
	<p>be cancelled (if a member had phoned to cancel a booking and the receptionist who took the call did not have access to amend the booking then it may occasionally get missed and appear as a debt) the booking</p>					Revised Date 2: End October 2009	<p>There have been delays in filling this Clerical Assistant post because of Welsh Language essential status being identified and at Level 4. We have now progressed beyond that point are set to interview a number of internal candidates for the position which will be based at Deeside LC.I anticipate an appointment being made before end October 09.</p>

ACTION PLAN

Para.	Test Result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>has to be cancelled on the system in order to cancel the debt. They are intending to introduce letters threatening court action when an invoice is seven days overdue.</p> <p>At Holywell there is no policy for bad debts although in the past clubs have been prevented from making bookings without paying if money is owed.</p> <p>At Flint no chasing up of debts has happened yet. No bad debt policy in place.</p>					<p>Revised date 3: 31.3.10</p>	<p>I confirm that with effect November 2009 this post has now been filled; the successful candidate has started work at Deeside LC. Fortunately the candidate had prior experience with us in this capacity as she was involved when we trailed the new position some time back. Thus, the learning curve is a good deal shorter and we look forward to a rapid and substantial impact. She will work on the production of the debt policy in the New Year.</p>
						31.12.10	<p>The officer has made significant impact on the level of debtors particularly on the swimming lessons programme.</p> <p>The work on the Leisure Service Review has taken precedence since the Spring and has meant that new policy development matters have been sidelined until the new staff structure is in place. It is anticipated this will mean that the issue of debt management policy will not be picked up again until the winter.</p>
						28.11.2011	<p>Part Complete</p> <p>Invoice debt will not be transferred to the Deeside admin team until the new staff structure is in place and a head office is created in the summer of 2012.</p>

Status: 1 – Implemented
2 – Not Implemented

Project Ref:	EN0010N1
	Business Enterprise Units

Directorate:	Environment
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3 – No longer applicable

DATE ISSUED: 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	<p>February 2011</p> <p>30.06.11</p> <p>November 2011</p>	<p>Service Review and Grant Thornton Options Review still on-going. Business Plan to be drafted on findings of the above.</p> <p>The required comments to finalise this audit are still outstanding pending completion of the Grant Thornton Report. This is finally drawing to a close and we should be in a position to complete and close the Audit Report by end of June.</p> <p>A mid year review of the revenue budget and business occupation will inform the development of the plan</p>
15	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. 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. Joint losses were reported in: 2006/07 - £72,468	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	<p>March 2011</p> <p>March 2011</p> <p>March 2011</p>	<p>Grant Thornton Report is on-going, options review will detail efficiencies.</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
	<p>2007/08 - £103,379 2008/09 - £12,235 2009/10 - £82,305 (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</p>					Nov 2011	The business centres were transferred to valuation and estates in April 2011. The Grant Thornton report has been completed. The budget information in that report is based on the historic position and budgets in previous years. These will be reviewed following the management of the centres changing service and being dealt with as part of the wider none operational portfolio.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>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 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. 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>						<p>A mid year budget review was planned just prior to the deadline for submitting this update. (nov 2011)</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
18	It was identified that a capital investment plan is not in place. This is a key document which formalises the investment plans and should detail the funding streams for each centre for both current and anticipated income, bids for funding, priorities and decision making. Introduction of this document should provide the service with a clear picture for the monitoring future investments.	S	<p>Recommendation: The service should compile a capital investment plan for the business centres.</p> <p>Management Comment: Investment Plan and associated budget to be determined by Corporate Property Services.</p>	Dec 2010	2	<p>April 2011</p> <p>October 2011</p> <p>Nov 2011</p>	<p>Grant Thornton Report is on-going. An Investment Plan will be considered once the report is finalised.</p> <p>A thorough review of this issue will be undertaken now the service has been transferred to valuation and estates. Effective long term investment in the buildings is required which will enhance the assets and support the long term viability of the two business centres.</p> <p>The mid year of the revenue budget and business occupation will inform these developments.</p>

Status: 1 – Implemented
2 – Not Implemented

Project Ref:	EN0080N1
	Data Management – Public Protection

Directorate:	Environment
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3 – No longer applicable

DATE ISSUED: 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
1b)	<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: 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</p>	September 2010 (for consultation with IT & APP)	2	Feb 2011	<p>Following the Report research was undertaken through the APP User Group Forum and through discussions with other local authorities on how they have addressed this issue. Civica confirmed they have not changed the way in which the system works and other authorities are using the system the way APP is use in FCC. A discussion was undertaken in the User Group meetings where it was agreed to continue with the current process.</p> <p>Verification work is continuing mainly in Land Charges. Previous global verification processes have left a significant numbers of problematic addresses and it was the view of the User Group after careful consideration that the task of verifying accurately should remain a manual one.</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>The APP User Group developed a protocol for entering premises into APP but this requires updating and our review highlighted that it is not followed.</p> <p>There is an inbuilt verification process which enables the verification of addresses based on the Post Office Address file which is imported into APP. Our review highlighted that many addresses are unverified</p>		<p>consistent and accurate manner to ensure that a single premises/customer record exists in the system.</p> <p>A data cleansing exercise must be undertaken to improve the quality of the existing data, all addresses should be verified. Methods of undertaking data cleansing should be explored with the assistance of Corporate ICT.</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>Feb 2011</p> <p>July/Aug 2011</p> <p>December 2011</p>	<p>A trial verification by ICT in the APP Test System is to be undertaken to verify against LLPG in early 2011</p> <p>There is a protocol for inputting and verifying addresses and System Administrators monitor the process. The Civica page on Infopoint which is in the process of being constructed will contain help and guidance notes for users.</p> <p>Testing by IT will now take place in July/August 2011 following an upload of the next release of the APP software.</p> <p>We are still waiting for release date from ICT</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 report drawn off the system on 22nd October revealed that there are currently 37747 premises not verified.</p> <p>Areas of land cannot be verified in this way and the protocol sets out the terminology options to be used to describe the location of land. Our review highlighted that the terminology to describe is not used consistently.</p> <p>Whilst efforts have been made by the Land Charges Manager to cleanse the data, the premises master data quality remains very poor. There is little control over master record set up although attempts have been made through the APP user group to disseminate good practice.</p> <p>The Authority has set up a Local Land and Property Gazetteer (LLPG) the intention is that all systems across the Authority with land and</p>		<p>Only postal addresses can be verified. A Gold Star project was to be undertaken after the system went live in 2002 after the import of 35000 records from legacy systems. This was to be undertaken by APP and Corporate ICT. This proved to be problematical and was abandoned.</p> <p>Consult Corporate ICT and APP to assess if modern software can now undertake the task.</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>property references will all use the same source and be integrated with the LLPG. ICT have an ongoing project to integrate systems. As part of this process 1000 addresses were extracted from the APP system last year to assess data quality. These addresses were compared against the LLPG. There was only a 50% match rate between the LLPG and APP. This indicates that the quality of address data being held within APP is very poor and needs a significant amount of work to be cleansed. As a comparison, the Electoral Role System and Revenues and Benefits system produced a match rate to the LLPG of approximately 90%. IT are anticipating undertaking the APP integration sometime next year and advised audit that the Directorate should address data quality issues in preparation for this.</p>						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
5b)	<p>Users of the APP database approach their Systems Administrators when encountering problems with 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>	S	<p>Recommendation: It is recommended that a process is put in place for the logging and reporting of 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>	August 2010	2	Feb 2011	<p>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.</p> <p>The Infopoint page in production. (See above)</p> <p>The link to the Lotus Notes Database has been retained and will be accessed via the Infopoint page.</p> <p>No Reply</p> <p>Infopoint Page has been developed and awaiting go ahead from Corporate Services to launch new format. Expected November release. Link to database to be put on Infopoint. Ensure all users have access to database and promote use. Use Infopoint, Bulletin and training in use of database.</p> <p>Still awaiting release date from ICT</p>
						Immediate effect	
						December 2011	

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
12	<p>Departmental and cross departmental requirements have not been established and as a consequence there is inconsistent usage of APP.</p> <p>Process mapping of the systems has not been achieved; a specification identifying the business process was produced when APP was originally adopted and other documentation of the systems is not up to date or held in an appropriate location allowing accessibility for all users.</p> <p>The Authority's Information Management Strategy promotes the effective and consistent management of information. To ensure effective data management the Directorate needs to formally consider how it can promulgate the principles and best practice set out in the Strategy.</p>	S	<p>Recommendation: Management should foster the development, implementation and maintenance of detailed data policies, standards and procedures within the Directorate in line with the principles and standards set out in the Authority's Information Strategy. These policies and procedures should be tested and monitored to ensure compliance.</p> <p>Management should ensure that officers receive appropriate guidance and training to enable them to fulfil their data management obligations</p> <p>Management Comment: Clarify corporate training policy – include in Appraisals To be addressed in the Directorate Plan</p>	July 2010	2	<p>TBC</p> <p>Immediate Effect</p> <p>December 2012</p>	<p>Directorate Plan identifies the need to comply with the requirements of this Audit</p> <p>We are awaiting the availability of a corporate training programme for Information Management. Not within Directorate control</p> <p>Develop local training programme run by administrator's. Agree a standard procedure for use of Flare including minimum inputting, use of codes, time recording and use of action diaries</p> <p>Meeting in December to agree standard procedure and to produce first draft of training programme</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>Our review of APP highlighted a lack of 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>						
14	<p>Data ownership is an important aspect of effective data management. The Directorate needs to have a clearly defined data ownership and accountability. Officers of a sufficient level of responsibility should be the data custodian this then demonstrates a strong commitment to data quality driven from the top management.</p> <p>At the current time there is no</p>	S	<p>Recommendation: Individuals should be nominated as data custodians and their responsibilities for ensuring the high quality of that information is understood. Their roles should include ensuring: Data is reliable and complete. Data is catalogued, stored in the appropriate location and format.</p>	Feb 2011	2	<p>Sept 2011</p> <p>December 2011</p>	<p>Include in local training programme. Discuss at next Planning SMT to be held end of September. Nominees will then be sought from each team/area.</p> <p>Nominees for Data Custodians to be agreed at project group meeting in December</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	clear responsibility for the data assets within APP. The officers with Administrator responsibility do their best to ensure accuracy but there is no one with sufficient authority to ensure effective data management of APP.		<p>Data meets legal requirements.</p> <p>Data meets security requirements.</p> <p>Data is made available to any stakeholder who has a legitimate need to know.</p> <p>Management Comment:: This will be the responsibility of the Database Business Support Team.</p> <p>A wider Directorate issue.</p>				

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
22	<p>The workflow facility in APP can provide user departments with an effective data management process.</p> <p>Each individual action has scheduled and actual dates, and an action officer code. When an action has been completed, the actual dates and initials of the relevant officer are entered. Officers can open a list of outstanding detail events with a scheduled date but no actual date.</p> <p>In addition to providing officers with a checklist of activities, the actions system provides an historical record of actions taken, supports forward planning and allows individuals and managers to monitor progress and performance.</p> <p>In any activity the user can enter an action type code and create an action diary record; however we noted that action diary templates are not used consistently by all users. Action Diary templates are set up within the system but currently do not reflect the up to date requirements of the</p>	S	<p>Recommendation: It is recommended that the action diaries are used by all users where it is relevant and this message is communicated through additional training so users are aware of the enhanced reporting and management information that can be achieved through this tool.</p> <p>Management Comment: Accepted – inconsistent use Combine with 17 above</p>	Feb 2011	2	<p>Immediate Effect</p> <p>December 2011</p>	<p>The use of action diaries will be covered by the local training programme and will become a minimum standard of operation for officers.</p> <p>Draft for training programme to be discussed at meeting in December</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>tasks.</p> <p>For example, Planning have an action Diary Template for planning applications but currently the action diary does not reflect the procedures. A Development Control Manual for Planning is currently in the process of being produced which will set out robust procedures and these will then be reflected in the action diary.</p> <p>The Technical Assistant in Trading Standards reported that the Action Diaries are not routinely used in the department with users preferring to use the text box. Despite trying to establish the use of the Action Diary to facilitate the report writing this has not been successful.</p> <p>Pest Control Officers do use the Action Diary to enter the details of their visits and sign off when jobs are completed.</p> <p>Food Safety use the Action Diary but have not established standard templates.</p> <p>The actions system may be used in any combination of the following:</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>1. Historical record of actions taken.</p> <p>2. Forward Planning - i.e. to plan future action detail events</p> <p>3. Checklist - a standard procedure (or part of) can be coded/combined into a template - may include action detail codes or freehand items.</p> <p>As templates are copied into an action record, scheduled dates will be generated for each action detail event.</p> <p>Action templates are intended as aide memoirs and will not force actions to take place.</p>						

- Status: 1 – Implemented
2 – Not Implemented

Project Ref:	EN0100N1
	Technology Forge

Directorate:	Environment
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3 – No longer applicable

DATE ISSUED: 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
3	To ensure that a complete property record is available for users of the Technology Forge System all relevant lease and deed packet information needs to be electronically attached to the relevant property record. However, to scan all lease and deed pack information held by Records Management and to attach it to the Technology Forge system would be a considerable resource issue. The Principal Solicitor (Environment) added "a view which has	S	<p>Recommendation: To enable the Technology Forge system to operate effectively, representatives from Environment and Legal Services need to agree how the lease, deed packet and plan information held in Records Management and Legal Services can be accessed electronically via the Technology Forge system</p> <p>Management Comment:</p>	Mar 2011	2	Sept 2011	<p>Land Registry data package has been purchased by legal. Arrangements are being made with GIS (Geographical Information System) Managers to set this up.</p> <p>For any further work from a legal perspective discussions with the legal service department have taken place which has identified a framework agreement to allow the provision of additional capacity and utilisation of resources.</p> <p>Further work to programme and plan the support work this will require will be necessary.</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>been expressed consistently by the Legal Section ever since Technology Forge was purchased without any prior consultation with the Legal Section."</p> <p>Further discussions were held with the Principal Solicitor (Environment) who stated that "Legal Services are currently arranging for the registration, at HM Land Registry (HMLR), of all land owned by FCC which is presently unregistered. Once completed, the title information will be held electronically by HMLR." Potentially this information could then be viewed by Technology Forge users.</p> <p>The information required by Technology Forge users is the lease, deed packet and plan information.</p> <p>Legal Services are also of the opinion that the Technology Forge description of the land does not always correspond to the description used in Legal Services.</p> <p>The majority of leases and deed packet information is currently held in a hard copy format. The Solicitor (Convey-</p>		<p>Environment and Legal Services have agreed on a way forward. Legal are going to submit a budget bid to purchase an extract from the Land Registry which details the extent of FCC ownership and can be held on a layer within the GIS system. Each property record will, via the GIS tab, show the extent of ownership and potential deed packet reference. Following voluntary registration the majority of deeds will be accessible electronically from the Land Registry.</p>			<p style="text-align: center;">Dec 2011</p>	<p>Further workload management meetings have been set with legal services.</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>ancing) stated that "90 % of all leases and deed packs are held securely in Records Management, approximately 10% are out in offices as they are classed as leases and deed packs which are currently being worked on"</p> <p>Discussions were held with Records Management who confirmed that these records are held securely in a fire proof environment.</p> <p>It is of concern that the exact total of leases and deed packs is not known. Also it is not known when all such leases and deed packs will be held in an electronic version by the Land Registry.</p>						

Status: 1 – Implemented

Project Ref:	EN0020P1
	Section 106 Agreements

Directorate:	Environment
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- 2 – Not Implemented
- 3 – No longer applicable

DATE ISSUED: APRIL 2011

3.66	<p>Our testing of s106 agreements highlighted the lack of adequate recording and process controls resulting in a poor audit trail. Planning applications are recorded in the planning system but until recently s106 agreements were not specifically identified. Therefore it is not possible to obtain a past listing of s106 agreements.</p> <p>To establish a list of s106 agreements we used several sources. The minutes of Planning Committees were trawled from 1996 onwards to identify references to s106.</p>	S	<p>Recommendation: A clear audit trail should be established across the Authority for s106 agreements which ensure consistent referencing and description to allow easy tracing of all transactions. A single reference number should be allocated and used by all departments.</p> <p>Management Comment: Would be undertaken as part of Service Review</p>	July 2011	1 for pilot area	Oct 2011 for initial area	<p>Work on-going. Buckley is being used as a pilot area with schemes going back to 2000. Audit trail for play schemes is clear, but this needs to be extended. Buckley work now completed by and will be shared with the Town Council on 19 December. Audit process currently being used for Sealand and then Connah's Quay will be tackled then rolled out to other areas</p>
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	<p>The list was cross referenced to copies of s106 agreements held in Land Charges. An attempt was made to confirm where relevant payments had been received and appropriately disbursed. This testing highlighted a number of significant problems with the audit trail with fragmented and incomplete records held across the Authority. In addition a common description of each s106 is not used so cross referencing between the planning records, legal records, service department records and general ledger is difficult. At the time of writing this report work is ongoing to validate that individual s106 agreements have been complied with.</p>						
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3.67	Monitoring and enforcement of agreements is a task that has been neglected. There is limited monitoring of s106 agreements and what monitoring that is undertaken is fragmented without a clear accountability. There is an insufficient audit trail in place to enable effective monitoring of s106 agreements. However, on a positive note this is being addressed and an Enforcement Officer has been nominated for this task and is in the process of establishing systems to enable monitoring and enforcement of s106.	S	<p>Recommendation. Regular monitoring reports should be compiled which show what agreements have been signed, the progress of negotiating outstanding agreements and information on how signed agreements are being implemented. This will give confidence to all councillors and the community that their interests are being served and the benefits delivered.</p> <p>Management Comment These would be reported to the Planning Protocol Working Group.</p>	September 2011	2	February 2012 to establish work programme	Results of the pilot area work will be shared with Planning Protocol Working Group on 27 th January with a work programme for further priority areas
3.68	See 3.67	S	<p>Recommendation. There should be full and regular accounts of the receipt and spending of section 106 monies reported to senior officers and Planning committee members and available to all other local councillors.</p> <p>Management Comment These would be reported to the Planning Protocol Working Group</p>	September 2011	2	February 2012 to establish work programme	Results of the pilot area work will be shared with Planning Protocol Working Group on 27 th January with a work programme for further priority areas

Project Ref:	LL0190N1
	E-Teach

Directorate:	Lifelong Learning
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- Status:
- 1 – Implemented
 - 2 – Not Implemented
 - 3 – No longer applicable

DATE ISSUED: AUGUST 2010

ACTION PLAN							
Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
2	The schools export their information of teachers' bookings for the previous month on the 5th of each month. The staffing officer clicks on 'payroll' on the supply pool management page and saves the information to her W drive and checks the details for any obvious errors. This is sent to the Team Leader Development in payroll and he runs an error report. This is sent back to the staffing officer	S	Recommendation: 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-	Oct 2010	2	March 2011 Revised date Oct 2011 tbc	Eteach contacted and additional business specification to be contracted and costed into new contact upon renewal March 2011 Business requirement can be added to new eteach specification but the revised version is currently being rolled out on a phased basis by eteach with plans for Flintshire Autumn term 2011. Current timetable for new eteach specification to be rolled out on a phased basis has now been cancelled by eteach. No new date has been given

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>for any corrections to be made. The payroll cannot be run until all the errors have been addressed.</p> <p>Our review revealed that the data exported from E-Teach monthly does not include the number of records and total amounts which greatly impedes any checking process and that this is further exacerbated by the fact that the data is updated by the Team Leader Development in the Payroll for holiday pay applications each month.</p> <p>E-Teach exports for February, March and April were reviewed for units booked to ensure the maximum number of hours had not been exceeded. All units booked were reasonable and none exceeded 32.5</p>		<p>Teach data exports. This was previously recommended in 2007.</p> <p>Management Comment:: None</p>				for implementation of revised timetable.
6	<p>We reviewed the current list of users obtained from the E-Teach system and found that all users have 'Administrator' access. It was reported that there is no 'read-only' access to E-Teach.</p> <p>Finance officers with access could in theory alter information prior to 'sign off'</p>	S	<p>Recommendations: 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</p>	30.03.11		Oct 2011	As highlighted above, requirement can be added to new eteach specification but the revised version is currently being rolled out on a phased basis by eteach with plans for Flintshire Autumn term 2011

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	<p>each month.</p> <p>The list of users was found to be out of date. From a total of 16 users at County Hall 3 no longer required access and hadn't used the system in over a year and one officer had retired on 31st March 2010.</p> <p>There are no regular reviews of the users as to their continued requirements.</p> <p>E-Teach can be set up to prompt for password changes but this has still not been implemented in line with the Authority's Security of Information policy.</p>		<p>Authority's Security of Information Policy. This was previously recommended in 2007.</p> <p>Management Comment: 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.</p>				

Project Ref:	LL1065P1
	ICT Unit

Directorate:	Lifelong Learning
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- Status:
- 1 – Implemented
 - 2 – Not Implemented
 - 3 – No longer applicable

DATE ISSUED: MAY 2011

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1	The encryption process should be introduced. An acceptable use policy with regard to portable storage media within ICT should be introduced.	F	The software solution has been purchased but the roll out has been delayed due to staff shortages. A new Technical Support officer will be in post from 1st June and their main role will be to oversee the roll out of encryption to all mobile devices. The scale of this roll out is massive, covering nearly 90 schools and hundreds of laptops / memory sticks. As part of the roll out, an acceptable use policy will be identified with the school. The implication for schools is that each school must arrange for a drop-in training session where staff from the ICT Unit deliver training on how to use encryption on their devices and to run through the AUP.	31/10/2011	2	31/10/2012	This is currently underway with encryption being rolled out as quickly as we can manage. Due to staff illness, we are limited to how many installations we can undertake currently, although we are responding to schools when we can. We are also running larger training sessions in the new year for multiple schools to come in and receive training at the Unit. The AUP is part of the much broader Information Security Policy shared with schools and governors.

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>A review of the master inventory list should take place on an annual basis. Schools should be contacted annually to verify laptop details. Any changes should be recorded onto the master inventory list maintained by ICT.</p> <p>A review of the disposal procedures should be carried out and a written procedure should be introduced which clearly states the requirements of all ICT equipment prior to disposal. This should be accessible to all schools and staff should be fully aware of any requirements which they must follow. It is important to ensure that no data remains on the equipment and hard drives have been wiped clean prior to disposal.</p>	F		31/10/2011	1		<p>New disposal procedures are in place to ensure that no school data can be lost through a recycled PC or laptop and the documentation is part of the much broader Information Security Policy shared with schools and governors.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
5	As each school is responsible for its own legislation surrounding portable storage media, advice and guidance should be made available from the ICT unit including a template Information Security Policy which states what procedure to follow in the event of a data breach. A review of Data Protection within schools should be carried out. Compliance with the Data Protection Act should be reviewed. This should not focus purely on ICT.	F	It was agreed with both Internal Audit and Data Protection officers that this was a wider issue than just ICT in schools. An Information Security group has been formed consisting of representatives of the ICT Unit, Data Protection and Internal Audit teams. Draft, high level principles have been produced and shared with schools via Moodle. The group will produce an Information Security / Data protection policy for schools and will deliver awareness training for schools via Head teacher conferences.	31/10/2011	1	31/01/2012	A Policy document has been produced and shared with Primary Headteachers, Secondary Headteachers, School Governors and schools teachers at training events. Schools are requesting further visits by staff to explain the Policy at staff meetings and Governing Body meetings. The Policy is currently in draft but is available on the Moodle site. I am uncertain as to the status of the review of data protection as, as stated, this is not an ICT issue alone.
2	Once encryption has been carried out, a complete list of all encrypted mobile devices, including the individual staff member responsible for the device should be maintained by the ICT unit.	S	In reality, this will be hard to monitor for memory sticks as they often have no identifying marks or features. This should be straightforward for laptops and will be looked at with immediate effect.	31/10/2011	1	31/10/12	A book is given to all schools that have received the encryption for the teachers to log the fact that they have encrypted devices as required. I still feel that with the 6,500 ish teachers out there that we cannot keep a track on multiple sticks, but that this is done in the school. We do however, keep records of the encryption of non curriculum laptops.

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 8

REPORT TO: **AUDIT COMMITTEE**
DATE : **30 JANUARY 2012**
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 referred and are being investigated:

1. An allegation has been made of the theft of monies. The matter has been referred directly to the Police and Internal Audit are assisting with evidence gathering.

3.03 The following investigations are over two months old:

2. Information was received regarding a potential fraudulent benefit claim. The subject of the allegation is also in receipt of allowances from the Council. The matter is being investigated by the Benefit Fraud Section.
3. Information was received regarding alleged collusion between employees and a supplier. An extensive investigation was undertaken by Internal audit, the evidence gathered has been passed to the Police, who have now requested further information.
4. A complaint was received alleging that a member of staff abused his position

Date: 20/01/2012

for personal gain. A report has been prepared for Management to consider the findings.

3.04 Data for the National Fraud Initiative 2010/11 has been submitted to the Wales Audit Office. Results of the matching exercise have been received and are still being investigated. Savings identified to date are Housing Benefit payments of £20,862, Pensions overpayments of £3,705 and Creditors overpayments of £4,891.69.

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 (2011/12)

Number	Status	Referral Date	Draft report date	Description	Value (if applicable)	Outcome	Recommendation		
							F	S	M
1	Ongoing	19/10/2011		Theft	£53,000	Referred to Police			
2	Ongoing	22/09/2011		Alleged abuse of benefits and care allowances		Referred to benefit fraud for investigation			
3	Ongoing	31/08/2011		Fraudulent invoicing allegation		Referred to Police			
4	Ongoing	18/08/2011		Alleged abuse of position					

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 9

REPORT TO: **AUDIT COMMITTEE**
DATE : **30 JANUARY 2012**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **AUDIT COMMITTEE SELF ASSESSMENT**

1.00 PURPOSE OF REPORT

1.01 To request members and statutory officers to complete the attached self assessment as part of the preparation for the Annual Governance Statement 2011/12 and to facilitate the identification of training needs for inclusion in the Committee's forward work programme.

2.00 BACKGROUND

2.01 The Chartered Institute of Public Finance and Accountancy (CIPFA) published Audit Committees - Practical Guidance for Local Authorities in 2006, followed by A Toolkit for Local Authority Audit Committees, with the aim of providing a set of advice and suggestions on good practice in the operation of Audit Committees. The toolkit included a self assessment questionnaire. This is completed by members of the Audit Committee and statutory officers annually.

2.02 The Audit Committee is part of the governance framework for the Authority, so that as part of the preparation for the Annual Governance Statement (AGS) for 2011/12 it is appropriate for the self assessment questionnaire to be completed again by the committee and statutory officers. The completion of the self assessment forms in itself forms part of the evidence behind the production of the Annual Governance Statement. It will also identify areas where the committee would benefit from additional training after the May elections.

3.00 CONSIDERATIONS

3.01 The questionnaire and supporting information are shown in the Appendix. In order to be included within the preparation for the AGS the questionnaires should be completed and returned to the Internal Audit Manager by the end of February 2012.

3.02 The results could also show areas for the future development of the Committee, which will be implemented during 2012.

4.00 RECOMMENDATIONS

4.01 That the committee agrees on the completion of the questionnaires by the end of February 2012, with the results to be reported back to the next meeting.

Date: 20/01/2012

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 Audit Committee Self Assessment Checklist
Counter Fraud Publication

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

None

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Notes to aid completion.

The first page refers to the core functions of an Audit Committee as identified by CIPFA. These core functions are

- Constitution
- Membership
- Attendance at meetings
- Frequency of meetings
- Authority
- Duties
- Reporting procedures

The section on Internal Control refers to the document “Managing the Risk of Fraud – Actions to Counter Fraud and Corruption”. That document is attached. Although it has not been adopted by Flintshire, there is in place within the Authority a Corporate Anti-Fraud and Corruption Strategy and a Fraud Response Plan. These have been in place for some time and are regularly updated.

COMPLETED BY _____

AUDIT COMMITTEE
SELF-ASSESSMENT CHECKLIST

ESTABLISHMENT, OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/A	Comment/Action
1.	Does the Audit Committee have written terms of reference?				
1.	Do the terms of reference cover the core functions of an Audit Committee as identified in the CIPFA guidance?				
1.	Are the terms of reference approved by the Council and reviewed periodically?				
1.	Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?				
1.	Can the Audit Committee access other committees and full Council as necessary?				
1.	Does the Authority's Statement of Internal Control include a description of the Audit Committee's establishment and activities?				
1.	Does the Audit Committee periodically assess its own effectiveness?				
2.	Does the Audit Committee make a formal annual report on its work and performance during the year to full Council?				
Membership, Induction and Training					
1.	Has the membership of the Audit Committee been formally agreed and a quorum set?				

Priority	Issue	Yes	No	N/A	Comment/Action
1.	Is the Chair independent of the Executive function?				
1.	Has the Audit Committee Chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?				
1.	Are new Audit Committee Members provided with an appropriate induction?				
1.	Have all Members' skills and experiences been assessed and training given for identified gaps?				
1.	Has each Member declared his or her business interests?				
2.	Are Members sufficiently independent of the other key committees of the Council?				
Meetings					
1.	Does the Audit Committee meet regularly?				
1.	Do the terms of reference set out the frequency of meetings?				
1.	Does the Audit Committee calendar meet the Authority's business needs, governance needs and the financial calendar?				
1.	Are Members attending meetings on a regular basis and, if not, is appropriate action taken?				
1.	Are meetings free and open without political influences being displayed?				
1.	Does the Authority's S.151 Officer or Deputy attend all meetings?				
1.	Does the Audit Committee have the benefit of attendance of appropriate Officers at its meetings?				

Priority	Issue	Yes	No	N/A	Comment/Action
INTERNAL CONTROL					
1.	Does the Audit Committee consider the findings of the annual review of the effectiveness of the System of Internal Control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?				
1.	Does the Audit Committee have responsibility for review and approval of the Annual Governance Statement (AGS) and does it consider it separately from the accounts?				
1.	Does the Audit Committee consider how meaningful the AGS is?				
1.	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?				
1.	Has the Audit Committee considered how it integrates with other committees that may have responsibility for risk management?				
1.	Has the Audit Committee (with delegated responsibility) or the full Council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption"?				
1.	Does the Audit Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?				
2.	Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?				

Priority	Issue	Yes	No	N/A	Comment/Action
2.	Does the Audit Committee review the Authority's strategic risk register at least annually?				
2.	Does the Audit Committee monitor how the Authority assesses its risk?				
2.	Does the Audit Committee's terms of reference include oversight of the risk management process?				
FINANCIAL REPORTING AND REGULATORY MATTERS					
1.	Is the Audit Committee's role in the consideration and/or approval of the annual accounts clearly defined?				
1.	Does the Audit Committee consider specifically: <ul style="list-style-type: none"> the suitability of accounting policies and treatments major judgements made large write-offs changes in accounting treatment the reasonableness of accounting estimates the narrative aspects of reporting?				
1.	Is an Audit Committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?				
1.	Does the Audit Committee review management letter of representation?				
2.	Does the Audit Committee annually review the accounting policies of the Authority?				

Priority	Issue	Yes	No	N/A	Comment/Action
2.	Does the Audit Committee gain an understanding of management's procedures for preparing the Authority's annual accounts?				
2.	Does the Audit Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?				
INTERNAL AUDIT					
1.	Does the Audit Committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the Authority's significant risks?				
1.	Does internal audit have an appropriate reporting line to the Audit Committee?				
1.	Does the Audit Committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?				
1.	Are follow-up audits by internal audit monitored by the Audit Committee and does the Committee consider the adequacy of implementation of recommendations?				
1.	Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?				
1.	Is there appropriate co-operation between the internal and external auditors?				
1.	Does the Audit Committee review the adequacy of internal audit staffing and other resources?				

Priority	Issue	Yes	No	N/A	Comment/Action
1.	Has the Audit Committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit in Local Government in the UK.				
2.	Are internal audit performance measures monitored by the Audit Committee.				
2.	Has the Audit Committee considered the information it wishes to receive from Internal Audit?				
EXTERNAL AUDIT					
1.	Do the external auditors present and discuss their audit plans and strategy with the Audit Committee (recognising the statutory duties of external audit)?				
1.	Does the Audit Committee hold periodic private discussions with the external auditor?				
1.	Does the Audit Committee review the external auditor's annual report to those charged with governance?				
1.	Does the Audit Committee ensure that officers are monitoring action taken to implement external audit recommendations?				
1.	Are reports on the work of external audit and other inspection agencies presented to the Committee including the Audit Commission's annual audit and inspection letter?				
1.	Does the Audit Committee assess the performance of external audit?				
1.	Does the Audit Committee consider and approve the external audit fee?				

Priority	Issue	Yes	No	N/A	Comment/Action
ADMINISTRATION					
Agenda Management					
1.	Does the Audit Committee have a designated secretary from Committee/ Member Services?				
1.	Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee Members?				
2.	Are outline agendas planned one year ahead to cover issues on a cyclical basis?				
2.	Are inputs for Any Other Business formally requested in advance from Committee Members, relevant officers, internal and external audit?				
Papers					
1.	Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?				
2.	Does the Audit Committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?				
Actions Arising					
1.	Are minutes prepared and circulated promptly to the appropriate people?				
1.	Is a report on matters arising made and minuted at the Audit Committee's next meeting?				
1.	Do action points indicate who is to perform what and by when?				

CIPFA Better Governance Forum

**MANAGING THE RISK
OF FRAUD**

Actions to Counter Fraud
and Corruption

INTRODUCTION



“This guidance should be at the heart of any counter-fraud strategy.”

Peter Dorrington, Head of Fraud Solutions, SAS UK and Ireland



“A robust, holistic and professional lead has to be taken to ensure new levels of probity, efficiency and honesty.”

Jim Gee, Managing Director, NHS Counter Fraud and Security Management Service



“The Audit Commission believes that the risks of fraud and the damaging financial, reputational and operational consequences that can flow from fraud are such that they demand a corporate response.”

Steve Bundred, Chief Executive, The Audit Commission

This guidance describes what action is needed for an organisation to be effective in countering fraud and corruption. It is intended to provide support to organisations and individuals in all sectors of the economy.

The guidance is shaped in accordance with best practice and, therefore, addresses the following crucial areas:

- The key elements of a proper strategic approach
- The accurate identification of risks
- The creation and maintenance of a strong structure
- The range of action needed to tackle the problem
- The definition of success

This is the first time that such guidance has been issued and it is deliberately framed as a series of questions so that answers can be developed which meet the specific circumstances of each organisation or sector. Affirmative answers would tend to indicate the existence of appropriate arrangements. If no answers can be provided then more work may be needed to address the issues concerned.

Addressing each area of the guidance and using the common ‘language’ of countering fraud which is provided by common professional, accredited training, organisations can ensure they adopt a comprehensive, professional and integrated approach to combating fraud.

This guidance was developed by the CIPFA Better Governance Forum Counter Fraud Advisory Panel. It was then enhanced following wide consultation including:

- Government Departments
- Local Authorities
- The NHS Counter Fraud and Security Management Service
- Police, Fire, Housing Associations
- The Audit Commission
- The National Anti-Fraud Network
- The Institute of Counter Fraud Specialists

The CIPFA Audit Panel endorses this guidance.

ADOPTING THE RIGHT STRATEGY

ACCURATELY IDENTIFYING THE RISKS

1.0

Key elements of a strategic approach

- 1.1** Does the organisation have a counter fraud and corruption strategy that can be clearly linked to the organisation's overall strategic objectives?
- 1.2** Is there a clear remit to reduce losses to fraud and corruption to an absolute minimum covering all areas of fraud and corruption affecting the organisation?
- 1.3** Are there effective links between 'policy' work (to develop an anti-fraud and corruption and 'zero tolerance' culture, create a strong deterrent effect and prevent fraud and corruption by designing and redesigning policies and systems) and 'operational' work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where it is found)?
- 1.4** Is the full range of integrated action being taken forward or does the organisation 'pick and choose'?
- 1.5** Does the organisation focus on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc.)?
- 1.6** Has the strategy been directly agreed by those with political and executive authority for the organisation?

2.0

Measuring fraud and corruption losses

- 2.1** Are fraud and corruption risks considered as part of the organisation's strategic risk management arrangements?
- 2.2** Is the organisation seeking to identify accurately the nature and scale of losses to fraud and corruption, using a:
 - proper definition of fraud based in civil law for making accurate estimates?
 - professional statistical methodology for making accurate estimates and building in a proper level of independent validation?
- 2.3** Does the organisation use accurate estimates of losses to make informed judgements about levels of budgetary investment in work to counter fraud and corruption?

CREATING AND MAINTAINING A STRONG STRUCTURE

3.0

Having the necessary authority and support

- 3.1** Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the organisation's counter fraud and corruption strategy?
- 3.2** Is there strong political and executive support for work to counter fraud and corruption?
- 3.3** Is there a level of financial investment in work to counter fraud and corruption that is proportionate to the risk that has been identified?

Specialist training and accreditation

- 3.4** Are all those working to counter fraud and corruption professionally trained and accredited for their role?
- 3.5** Do those employees who are trained and accredited formally review their skills base and attend regular refresher courses to ensure they are abreast of new developments and legislation?
- 3.6** Are all those working to counter fraud and corruption undertaking this work in accordance with a clear ethical framework and standards of personal conduct?

Propriety checks

- 3.7** Is an effective propriety checking process – implemented by appropriately trained staff – in place that includes appropriate action where individuals fail the check?
- 3.8** Does the organisation regularly review its propriety checking and are random checks carried out to ensure that it is implemented?

Developing effective relationships with other organisations

- 3.9** Are there framework agreements in place to work with other organisations and agencies?
- 3.10** Are the framework agreements focussed on the practicalities of common work?
- 3.11** Are there regular meetings to implement and update these agreements?

TAKING ACTION TO TACKLE THE PROBLEM

4.0

Taking the full range of action and integrating different strands

- 4.1** Is the organisation undertaking the full range of necessary action (see also 1.3)?

Culture, deterrence and prevention framework

Culture

- 4.2** Does the organisation have a clear programme of work attempting to create a real anti-fraud and corruption and zero tolerance culture (including strong arrangements to facilitate whistleblowing)?
- 4.3** Are there clear goals for this work (to maximise the percentage of staff and public who recognise their responsibilities to protect the organisation and its resources)?
- 4.4** Is this programme of work being effectively implemented?
- 4.5** Are there arrangements in place to evaluate the extent to which a real anti-fraud and corruption culture exists or is developing throughout the organisation?
- 4.6** Are agreements in place with stakeholder representatives to work together to counter fraud and corruption?
- 4.7** Have arrangements been made to ensure that stakeholder representatives benefit from successful counter fraud and corruption work?

Deterrence

- 4.8** Does the organisation have a clear programme of work attempting to create a strong deterrent effect?
- 4.9** Does the organisation have a clear programme of work to publicise the:
- hostility of the honest majority to fraud and corruption;
 - effectiveness of preventative arrangements;
 - sophistication of arrangements to detect fraud and corruption;
 - professionalism of those investigating fraud and corruption and their ability to uncover evidence;
 - likelihood of proportionate sanctions being applied; and
 - likelihood of losses being recovered?
- 4.10** Has the organisation successfully publicised work in this area?
- 4.11** Has the publicity been targeted at the areas of greatest fraud losses?

TAKING ACTION TO TACKLE THE PROBLEM

Prevention

- 4.12 Does the organisation seek to design fraud and corruption out of new policies and systems and to revise existing ones to remove apparent weaknesses?
- 4.13 Do concluding reports on investigations include a specific section on identified policy and systems weaknesses that allowed the fraud and corruption to take place?
- 4.14 Is there a system for considering and prioritising action to remove these identified weaknesses?

Detection

- 4.15 Are there effective 'whistleblowing' arrangements in place?
- 4.16 Are analytical intelligence techniques used to identify potential fraud and corruption?
- 4.17 Are there effective arrangements for collating, sharing and analysing intelligence?
- 4.18 Are there arrangements in place to ensure that suspected cases of fraud or corruption are reported promptly to the appropriate person for further investigation?
- 4.19 Are arrangements in place to ensure that identified potential cases are promptly and appropriately investigated?
- 4.20 Are proactive exercises undertaken in key areas of fraud risk or known systems weaknesses?

Investigation

- 4.20 Is the organisation's investigation work effective?
- 4.21 Is it carried out in accordance with clear guidance?
- 4.22 Do those undertaking investigations have the necessary powers, both in law, where necessary, and within the organisation?
- 4.23 Are referrals handled and investigations undertaken in a timely manner?
- 4.24 Does the organisation have arrangements in place for assessing the effectiveness of investigations?

Sanctions

- 4.25 Does the organisation have a clear and consistent policy on the application of sanctions where fraud or corruption is proven to be present?
- 4.26 Are all possible sanctions – disciplinary / regulatory, civil and criminal – considered?
- 4.27 Does the consideration of appropriate sanctions take place at the end of the investigation when all the evidence is available?
- 4.28 Does the organisation monitor the extent to which the application of sanctions is successful?

DEFINING SUCCESS

Redress

- 4.29 Does the organisation have a clear policy on the recovery of losses incurred to fraud and corruption?
- 4.30 Is the organisation effective in recovering any losses incurred to fraud and corruption?
- 4.31 Does the organisation use the criminal and civil law to the full in recovering losses?
- 4.32 Does the organisation monitor proceedings for the recovery of losses?
- 4.33 What is the organisation's successful recovery rate?

5.0

Focusing on outcomes and not merely activity

- 5.1 Are there clear outcomes described for work to counter fraud and corruption?
- 5.2 Do the desired outcomes relate to the actual sums lost to fraud and corruption?



“The on-going battle against fraud and corruption can only be won if organisations have in place robust strategies and frameworks. Taking actions to proactively stop fraud occurring in the first place is a far better remedy than merely managing the risk. The step-by-step actions identified in this invaluable guide will go a long way to helping organisations achieve this.”

Steve Freer, Chief Executive, CIPFA

The Chartered Institute of Public Finance and Accountancy particularly wishes to thank the following people for their contribution to this guide:

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Chair, CIPFA Better Governance Forum, Counter Fraud Advisory Panel

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The CIPFA Better Governance Forum Counter Fraud Advisory Panel has the following members:

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London Borough of Waltham Forest

Martin Veale

National Assembly for Wales

Jim Wilkinson

Birmingham City Council

The CIPFA BGF Counter Fraud Advisory Panel is developing further guidance to support this framework, including workshops to gain practitioner input, good practice examples, training, independent assessment and advice.

For further information regarding this and any other anti-fraud initiatives or guidance please contact:

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SAS is proud to support the CIPFA Better Governance Forum