Anwen Jones Solicitor/Cyfreithiwr
InterimHead of Legal and Democratic Services
Pennaeth Dros Dro Gwasanaethau
Cyfreithiol a Democrataidd

Sir y Fflint
Flintshire
COUNTY COUNCIL
CYNGOR

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*	16/03/2012
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, 26 MARCH 2012** at **10:00** to consider the following items.

Yours faithfully

Democracy and Governance Manager

A G E N D A

1.   APOLOGIES

2.   MINUTES
     To confirm as a correct record the minutes of the meeting held on 30/01/2012 (copy enclosed).

3.   DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

4.   ANNUAL IMPROVEMENT REPORT 2011 BY THE AUDITOR GENERAL FOR WALES
     Report of Chief Executive enclosed

5.   ANNUAL FINANCIAL AUDIT OUTLINE 2011/12
     Report of Head of Finance enclosed

County Hall, Mold. CH7 6NA
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www.flintshire.gov.uk
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The Council welcomes correspondence in Welsh or English
Mae'r Cyngor yn croesawu gohebiaeth yn y Gymraeg neu'r Saesneg

1

6.   DRAFT STATUTORY GUIDANCE ON LOCAL GOVERNMENT
       (WALES) MEASURE 2011 AND REVIEW OF AUDIT
       COMMITTEE TERMS OF REFERENCE
       Report of Democracy and Governance Manager and Head of
       Finance enclosed

7.   INTERNAL AUDIT STRATEGIC AND OPERATIONAL PLAN
       Report of Head of Finance enclosed

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

9.   FINAL REPORTS AND PERFORMANCE INDICATORS
       Report of Head of Finance enclosed

10.   INVESTIGATIONS PROGRESS REPORT
       Report of Head of Finance enclosed

11.   BRIBERY ACT - UPDATE OF ANTI-FRAUD AND CORRUPTION
       STRATEGY
       Report of Head of Finance enclosed

12.   TREASURY MANAGEMENT UPDATE
       Report of Head of Finance enclosed

13.   AUDIT COMMITTEE SELF ASSESSMENT
       Report of Head of Finance enclosed

14.   CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT
       Report of Head of Finance enclosed

       NOTE: ANNUAL MEETING WITH INTERNAL AND EXTERNAL
       AUDITORS
       In accordance with the agreed procedure, Members of the Audit
       Committee will meet with the Internal and External Auditors
       immediately following the meeting.

Date: 16/03/2012

MEETING OF AUDIT COMMITTEE
30 JANUARY 2012

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Monday, 30 January 2012

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: C.A. Thomas, D.E. Wisinger and A. Woolley

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

Director of Community Services, Head of Development & Resources and Head of Housing (for minute number 54)
Clwyd Pension Fund Manager (minute number 55)

Mr. John Herniman and Ms. Amanda Hughes of Wales Audit Office

52.   DECLARATIONS OF INTEREST

No declarations of interest were made.

53.   MINUTES

The minutes of the meeting of the Committee held on 14 December 2011 were submitted.

RESOLVED:

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

54.   GALW GOFAL: FURTHER INFORMATION AND LESSONS LEARNT

The Chairman invited Councillor C.A. Thomas to join the Committee for this item and to speak first. Councillor Thomas stated her reasons for submitting a notice of motion to County Council due to her concerns about a lack of information to Members on the decision to extend the regional Telecare out of hours service to include school buildings and highways. She referred to the setting up of a Service Level Agreement (SLA) and highlighted the potential significant costs and impact on services arising from the changes. Although she had received notification of the new dedicated telephone number for vulnerable adults, no background information had been circulated to Members on the new elements to the service. In referring to the report of the Director of Community Services, she felt that no explanation had been given for the inclusion of other sections of the Council sharing the service and she queried the formation of the Regional Programme Board and level of Member involvement.

The Director of Community Services then introduced his report which provided an overview of lessons learnt from the process of developing the North Wales Regional Telecare Monitoring Service Project, Galw Gofal, and gave further information in response to Members' questions at the Audit Committee meeting on 1 November 2011.

The Director drew attention to chronologies on both the Council's decision making process in relation to the development of the project and on the regional development of the project, appended to the report. In acknowledging the need to improve communication and that the new arrangements to the service could have been better promoted, he said that lessons had been learnt and that appropriate procedures had been followed in terms of decision making. He advised that he and the Executive Member for Social Services were included on the Regional Programme Board for Social Services and Health which had overseen the project. The report also gave information on reasons for the selection of Conwy as the chosen location for the service and the contract price for the additional services which represented good value.

Councillor Thomas asked why the Executive Member for Social Services had been selected as the relevant lead Member and what precautions were in place to ensure that SLAs did not result in significant increased costs. She also remarked that the Project Manager had been unaware of the inclusion of other services in the project which had been introduced at a later stage in the process.

The Director explained that as the project extended across Social Services and Housing, either Executive Member could have been chosen and that the partner Councils had different lead Members. Flintshire's choice had been for the Executive Member for Social Services to lead and feedback to the Executive Member for Housing to ensure a co-ordinated approach.

The Head of Development & Resources commented that information on the number of calls to the out of hours service had been given to the project which would have been forwarded to the operational planning team. In response to concerns about any future increase in costs, the Board responsible for setting charges included equal representation from all partner Councils and therefore Flintshire's interest was protected. He said that any increase for 2012/13 was only likely to be a small inflationary rise and that the Streetscene service would probably increase the number of calls, however it was understood that savings from the project would be expected and that opportunities to increase business would be pursued.

Councillors A.M. Halford and P.R. Pemberton shared concerns on the lack of Member involvement in decision making on the project. Councillor Pemberton asked why a report on the project had not been submitted to Overview & Scrutiny prior to consideration by the Executive on 19 October 2011, why there was no Member representation on the Galw Gofal Regional Programme Board and what authority had been given to the Head of Development & Resources to act in the creation of the Board.

The Chief Executive said that the business case had been made, the service introduced effectively, and was performing well, as seen during visits by Members. He said that concerns had been around the transition stage where lessons had been learnt on sharing knowledge. On the item not being submitted to Overview & Scrutiny, he pointed out that this was technically a decision of the Executive to which all Members had access to papers and that the safeguard option to call in the item was there if needed. At a recent meeting of the Corporate Resources Overview & Scrutiny Committee, during discussion on regional collaboration projects such as the Social Services commissioning hub and School Improvement Programme, it had been agreed that outline business cases would be shared with Overview & Scrutiny prior to the final business case being submitted to both Overview & Scrutiny and Executive to give all Members an opportunity to contribute, as a matter of course as a 'protocol'. On a general point, it was noted that the Wales Audit Office had included in its Corporate Assessment report the positive and negative elements of "intensive" Member involvement in Flintshire, for example in the number of Member workshops, compared to other Welsh Councils.

The Democracy & Governance Manager pointed out that Appendix 1 clearly explained the reasons for the report not being first considered by the Community & Housing Overview & Scrutiny Committee. At a workshop in June 2010, it had decided not to include the topic in the Committee's Forward Work Programme and this had been formally agreed at the Committee's meeting in September 2010. However, details of the proposals had been included in quarterly performance reports to the Committee in June and September 2010.

Councillor Pemberton felt that an Overview & Scrutiny workshop was not an appropriate forum to make a decision on items for consideration.

The Chairman said that according to the chronology, the item had been scheduled for the Committee's meeting on 6 July 2010 but that the Head of Development & Resources had advised that this would not be the case as Stephen Jones of Welsh Local Government Association (WLGA) was due to prepare a generic report to all the Authorities involved. The Chairman went on to refer to two incidents in his ward on emergency repairs which had raised concerns about the sharing of information and local knowledge during the Telecare handover process.

In response to queries on membership of the Regional Board, the Chief Executive explained that Telecare was an operational service and that there had been no Board for the previous local service. The new Board was accountable to report to both Overview & Scrutiny and the Executive.

The Director of Community Services explained that the Head of Development & Resources' remit spanned both Housing and Social Services. He said that many areas of the project had performed well during the first six months and that any unresolved issues should be reported to the operational Board.

The Head of Housing outlined her input to the project in working with the Head of Development & Resources and highlighted the different policies and

working practices of each Council which had initially led to problems. During consideration of a report on regional working at the Housing Overview & Scrutiny Committee in January 2012, Members had agreed to receive future quarterly reports on regional and sub-regional projects.

On Appendix 1, Councillor M.J. Peers commented on the preparation of the report which had been scheduled for Overview & Scrutiny in July 2010 and at what stage this had been removed from the draft agenda and why the WLGA report to Executive on 5 October 2010 could not have been first considered by Overview & Scrutiny. He had first become aware of the changes to Telecare at a Streetscene Task & Finish Group and said that the Environment Overview & Scrutiny Committee had also not received detail on the topic. On the corporate contract section of the report, he requested a comparison contract price figure for the previous Telecare service, details of the method for estimating calls to the service and actual number of calls to date.

The Head of Development & Resources explained that the method for determining the call charge rate was complex and had been formulated with the help of an accountant. The cost per call had been based on the total cost of the service and estimated taken per call.

Councillor B. Mullin stressed the importance of sharing information with Members and hoped that lessons would be learned to avoid any reoccurrences. He suggested that a seminar/workshop be arranged to ensure that all Members understood the changes to the service.

Councillor Thomas welcomed the suggestion and said that conflicting information had been given on the Telecare contact telephone number and that feedback from some residents had shown a lack of confidence in the service. She questioned why the Executive report had not referred to the involvement of other Directorates and why the Housing Overview & Scrutiny Committee had not been made aware of this before deciding to defer the item.

The Chief Executive suggested that during the next few weeks an operational bulletin be sent to all Members giving information on how the service currently worked and how this related to their wards, including confirmation of contact details.

In response to queries from Councillor G.H. Bateman, it was explained that Stephen Jones was the regional co-ordinator project support officer at WLGA. On technology, there had been three platform providers of equal quality. Although Flintshire had selected Chubb, the Tunstall platform had become more widely used by other North Wales Councils and this had led to the selection of Conwy as the Telecare project location.

Councillor Halford sought clarification on an earlier question on the role of the Head of Development & Resources on the project. The Chief Executive replied that he had been assigned as the Council lead.

Following further concerns by Members, the Chief Executive pointed out that although it was not a constitutional requirement for Executive reports to be considered first by Overview & Scrutiny, there were many examples where a conscious decision had been made to do this. The Democracy & Governance Manager said that Audit Committee Members' concerns were not shared by the Housing Overview & Scrutiny Committee as they had opted not to take up the offer of a joint meeting with Audit Committee, but instead to continue to receive regular updates as part of performance monitoring reports.

Councillor Bateman, who was a member of the Housing Overview & Scrutiny Committee, confirmed that it had been agreed not to include this topic in its Forward Work Programme.

Councillor Q.R.H. Dodd felt that any criticism of the Head of Development & Resources was unfair and sought clarification on whether the WLGA report had been submitted to the Executive. It was noted on the chronology that the report had been considered on 19 October 2010.

Whilst Councillor Thomas acknowledged that lessons had been learned, she felt that there were still some issues of concern but was content for the matter to proceed.

RESOLVED:

(a)   That 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, be noted;

(b)   That the Director of Community Services circulate an operational bulletin to all Members to provide information on the Telecare regional project;

(c)   That any concerns on operational issues be referred to the officers;

(d)   That updates on regional and sub-regional projects including the Telecare project be submitted to Overview & Scrutiny as part of quarterly monitoring reports;

(e)   That a working practice (protocol) be established to share information on key stages of regional collaboration projects with Overview & Scrutiny prior to the Executive; and

(f)   That information on transition stages of operational services be shared with Members via a written briefing note.

55. TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2012/13

The Clwyd Pension Fund Manager introduced a report on the 2012/13 draft Treasury Management Policy and Strategy Statement for review prior to recommendation to Executive. The report also provided an update on matters

relating to the Council's Treasury Management Policy, Strategy and practices in 2011/12 and on the Council's investment in Landsbanki.

The position with the Treasury Management Policy and Strategy Statement for 2011/12 had remained largely unchanged since the update at the meeting in December 2011. The approach for 2012/13 had been considered at a Member training session on 17 January 2012.

On Landsbanki, the Clwyd Pension Fund Manager advised that confirmation had been given by the Court on Flintshire's priority status, but that the amount to be distributed was not yet known. Following a query by Councillor G.H. Bateman, it was explained that the assets of Landsbanki are such that investors treated as priority creditors are currently likely to receive around 85% of their investment back.

Councillor M.J. Peers referred to the proposed increase in the 2012/13 policy in the limit of non specified investments from £30M to £50M to allow for further use of AAA rated Money Market Funds and asked if this conflicted with Welsh Government (WG) advice for Councils to invest prudently. He pointed out that the report made reference to the intention to use Money Market Funds (MMF) instead of term deposits with banks whereas the Policy & Strategy Statement (paragraph 3.4.5) indicated that a small amount would be invested over the longer term, probably over two years, in fixed term deposits. The Clwyd Pension Fund Manager explained that Welsh legislation required that MMFs be treated as capital expenditure and that whilst non specific investments may seem to imply a high level of risk, AAA rated MMFs were considered a very safe option. As explained in the report, the Council's current approach to its investment strategy was extremely cautious with low risk. However if market conditions improved, it still allowed for a move back to short term deposits with banks.

On debt restructuring, Councillor Peers asked if stating that the replacing of higher rate loans with new ones at a lower rate being an unlikely possibility was a negative approach. The Clwyd Pension Fund Manager said that the Strategy reflected officers' thinking and there were different options for dealing with debt, however the forecast suggested no changes to interest rates. In response to a query on bank contracts, it was explained that the formal tender EU procurement process was undertaken every five years, with the next due in 2013. The contract price included a detailed specification for other services and therefore provided excellent value for money.

Councillor Peers proposed an additional recommendation for the Committee to review in detail the Council's approach to debt management at mid-term of the next financial year.

Following a query by Councillor G.H. Bateman on a list of banks, the Clwyd Pension Fund Manager suggested that the counterparty list be included with the next Treasury Management report to the Committee. The Head of Finance spoke about the complexities of Treasury Management which was not just about dealing with interest on the Council's accounts, but also managing risk and return across the organisation, made difficult by the current economic climate.

RESOLVED:

(a)   That the Audit Committee recommend the draft Treasury Management Policy and Strategy Statement 2012/13, including Treasury Management Indicators, to the Executive on 21 February 2012; and

(b)   That the position in relation to Treasury Management in 2011/12 and the Council's investment in Landsbanki be noted; and

(c)   That the Audit Committee review the policy on debt management at mid-term of the next financial year.

56.   FINAL REPORTS AND PERFORMANCE INDICATORS

The Internal Audit Manager introduced a report to advise of final reports issued since the last Audit Committee and of Directorates and Internal Audit's performance for responses against target. He explained that the report had been deferred from the meeting in December 2011 and had since been updated.

On Main Accounting, Councillor M.J. Peers asked about the duplicate invoice amount which had been passed for payment. The Internal Audit Manager agreed to respond separately on the amount involved. A review of corporate debt arrangements was being undertaken as part of the Flintshire Futures programme and teams were being reminded of the checks to be carried out before passing invoices for payment.

Councillor A.M. Halford remarked on the new software which had been purchased by the Council to identify duplicate payments and the reference to inadequate resources. The Head of Finance explained that the software was in place to identify duplicate payments on goods/services invoices and that the 'Purchase to Pay' system would help to tighten up procedures. The Flintshire Futures project on corporate debt recovery aimed to establish a revised policy in managing debt and additional issues had been identified through work on the Lean review.

Also on Main Accounting, Councillor G.H. Bateman referred to the number of test sample construction payments submitted without a VAT invoice, raising concerns that they may be not VAT registered and asked about the date of the last VAT inspection. The Head of Finance agreed to respond separately on the date of inspection. She agreed that the issue was of concern, as recognised in the report, and said that additional work would be undertaken before the set deadline.

Councillor Halford pointed out that a recommendation had been made in September 2010 for a review of this issue. The Head of Finance gave an assurance that steps had been taken across the Council to address this and that a move to more modern pay arrangements would assist. Whilst reiterating the positive work in progress, the Chief Executive said that if there were repeated problems this would be a performance issue for the individuals involved, to be followed through. He would liaise with the Head of Finance on this.

The Chairman queried whether VAT registration should be identified as part of procedures for the Contractors List and Councillor P.R. Pemberton said that invoices should refer to a unique order number supplied by officers. The Internal Audit Manager confirmed that order numbers were used and that the new software now in place would help to identify duplicate invoices.

The Democracy & Governance Manager suggested that if a previous Audit recommendation had not been resolved, this should be escalated to a higher tier of management.

In response to Councillor Halford's query on approval for utilising waste disposal reserve, the Internal Audit Manager said that the recommendation had stated that the use of £.300M for costs relating to the transfer of AD Waste should have been considered by the Executive. The management comment referred to the use of the reserve to be included in the final report to Executive when the liquidation of AD Waste was finalised. Councillor Halford asked when this would be and the Democracy & Governance Manager agreed to respond in writing, with a copy provided to the Committee.

RESOLVED:

That the report be noted.

57. **OPERATIONAL AUDIT PLAN AND RECOMMENDATION TRACKING**

The Internal Audit Manager presented the report to advise of progress against the operational plan for 2011/12 together with results of the current recommendation tracking since the previous Audit Committee. He explained that this report had been deferred from the meeting in December 2011 and had since been updated. As discussed previously, the tracking detail on the Action Plan had been amended to show completed actions in shading and recommendations still outstanding in white.

On Section 106 Agreements, Councillor A.M. Halford said that the information conflicted with her understanding of the performance for that area. The Internal Audit Manager said that only three recommendations had been tracked for this meeting and that one had been implemented, two were still outstanding. Management comments had been provided for the report and a deadline set for completion of actions by February 2012 to ensure full compliance. Following concerns by Councillor Halford, it was agreed that the Internal Audit Manager would forward the Action Plan on Section 106 Agreements to the Head of Planning for comment and provide an update at the next meeting.

On Enforcement, Councillor M.J. Peers referred to the originally agreed implementation date of June 2009 which had been revised to a later date and suggested that a comment be included to reflect that although the action was not causing any problems, it was still considered significant and should be implemented. The Internal Audit Manager agreed to consider this for the next

report. He also clarified that the recommendation in the report was for the Committee to approve the Annual Audit Plan.

RESOLVED:

That the Annual Audit Plan, including changes, be approved.

58. VARIATION IN ORDER OF BUSINESS

Following a question raised by a Member on the Investigations Progress Report, the Democracy & Governance Manager advised that as a detailed response could not be given in a public meeting, this could be sought directly from the Internal Audit Manager outside the meeting or that the Committee may wish to consider excluding the press and public for the item. It was therefore agreed that the item would be considered at the end of the agenda.

59. AUDIT COMMITTEE SELF ASSESSMENT

The Internal Audit Manager introduced a report to request Members and statutory officers to complete the accompanying self assessment form 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.

It was explained that the self assessment had been brought to the Committee earlier due to the forthcoming Elections and that the checklist was to be returned to the Internal Audit Manager by the end of February 2012 to inform training of any new Members of Audit Committee following the May Elections.

Councillor M.J. Peers suggested that in view of the checklist having been completed on previous occasions by current Members of the Audit Committee, the checklist could be circulated in May to better identify training requirements of any new Members.

The Internal Audit Manager explained that the completion of the checklist formed part of the evidence for the Annual Governance Statement which was to be submitted to the Audit Committee in June 2012 and that this timescale needed to be taken into consideration. It was therefore suggested that current Members of the Audit Committee be requested to complete the checklist and that the circulation of a further checklist on training needs be considered following any changes to membership following the Elections in May 2012.

RESOLVED:

(a)   That the completion of the questionnaires by the end of February 2012, with the results to be reported back to the next meeting, be agreed; and

(b)   That consideration be given to circulating a further questionnaire on training needs following any changes to Audit Committee membership after the May 2012 Elections.

60. 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 12 of Schedule 12A of the Local Government Act 1972 (as amended).

61. INVESTIGATIONS PROGRESS REPORT

The Internal Audit Manager introduced the report to outline ongoing proactive counter fraud work and reactive investigative work. He provided clarification on a query on one of the investigations.

RESOLVED:

That the report be noted.

62. DURATION OF MEETING

The meeting commenced at 10.00am. and finished at 12.35pm.

63. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

…………………………………..
Chairman

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

AUDIT COMMITTEE	DATE: 30 JANUARY 2012

MEMBER	ITEM	MIN. NO. REFERS
	NO DECLARATIONS OF INTEREST WERE MADE	

REPORT TO: **AUDIT COMMITTEE**

DATE :   **26 MARCH 2012**

REPORT BY: **CHIEF EXECUTIVE**

SUBJECT :   **ANNUAL IMPROVEMENT REPORT 2011 BY THE AUDITOR GENERAL FOR WALES**

1.00   PURPOSE OF REPORT

1.01   To advise Members of the Council's Annual Improvement Report 2011 published by the Auditor General for Wales.

1.02   Members to note the report and receive the Council's response.

2.00   BACKGROUND

2.01   The Auditor General is required by the Local Government (Wales) Measure to undertake an Annual Improvement Assessment and to publish an Annual Improvement Report for each authority in Wales. This covers local councils, national parks and fire and rescue authorities.

2.02   This is the second Annual Improvement Report for Flintshire and it also contains the Appointed Auditor's Annual Audit Letter as previously reported to Audit Committee in December 2011 .

3.00   CONSIDERATIONS

3.01   The Annual Improvement Report is publicised by the Wales Audit Office (WAO) on behalf of the Auditor General for Wales. It brings together, with the co-ordination of other inspectorates such as Estyn and the Care and Social Services Inspectorate for Wales (CSSIW) a picture of what the Council is trying to achieve and how it is going about it.

3.02   The full report is attached at Appendix 1.

3.03   The report builds on the findings of the Improvement Assessment undertaken by the WAO, plus a retrospective assessment of whether the Council has achieved its planned improvements and a summary on the Council's self assessment of performance as reported in the Council's Annual Performance Report 2010/11. The overall finding is "Despite progress in many service areas, certain corporate weaknessess continue to hinder current performance and future prospects."

Other key statements within the report are:

- The Council has a strong commitment to partnership working to support improvement; however progress in achieving the Council's objectives is being held back by weaknesses in priority setting, governance, financial planning and people management.

- There is good progress in some priority areas but elsewhere progress is mixed and some services are not yet delivering provision at the expected levels.

- The Council is continuing to develop its performance monitoring arrangements but weaknesses remain in outcome measures, reliability of information and in some aspects of reporting and evaluation.

3.04   The Auditor General has made two formal recommendations which are:

- R1 - The Council should report more fully and regularly to the Executive Board on progress in delivering the Human Resources (HR) Strategy and *Single Status Agreement* and ensure capacity and capability are available to achieve intended outcomes and timetables.

- R2 - The Council needs to complete its work in quantifying the financial benefits of its programme of efficiencies and organisational change by mid 2012/13, to determine the remaining funding gap (shortfall or surplus) and then establish clear plans to identify further savings and/or redirect resources to priorities.

3.05   The Council is required to make a formal public response to these recommendations within 30 days of receipt of the report. This response, including a response to an additional four proposals for improvement is included at Appendix 2. The Annual Improvement Report was received and this response endorsed at Executive on 21 February meeting the required timescale.

3.06   This Annual Improvement Report has been developed and improved with significant input from senior officers at the Council to ensure accuracy, fairness and validity. Broad agreement has been reached on the contents and it should be noted that the formal recommendations and proposals for improvement have been identified by senior officers and are already being responded to.

4.00   RECOMMENDATIONS

4.01   To advise Members of the Council's Annual Improvement Report 2011 published by the Auditor General for Wales.

4.02   Members to note the report and receive the Council's response.

5.00   FINANCIAL IMPLICATIONS

5.01   This report refers to the financial resourcing of the council's priorities.

6.00   ANTI POVERTY IMPACT

6.01   This report refers to how the council is helping to reduce poverty.

7.00   ENVIRONMENTAL IMPACT

7.01   This report refers to how the council is improving the environment.

8.00   EQUALITIES IMPACT

8.01   Safe and supportive communities are referred to within the report.

9.00   PERSONNEL IMPLICATIONS

9.01   The People Strategy is referred to in the report.

10.00   CONSULTATION REQUIRED

10.01   None required at this stage.

11.00   CONSULTATION UNDERTAKEN

11.01   Senior officers have had input into this report. The Annual Audit Letter was presented to the council's Audit Committee in December 2011.

12.00   APPENDICES

12.01   Appendix 1: The Auditor General's Annual Improvement Report 2011
Appendix 2: WAO Annual Improvement Report response to recommendations.

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

None

Contact Officer: Karen Armstrong
Telephone: 01352 702740
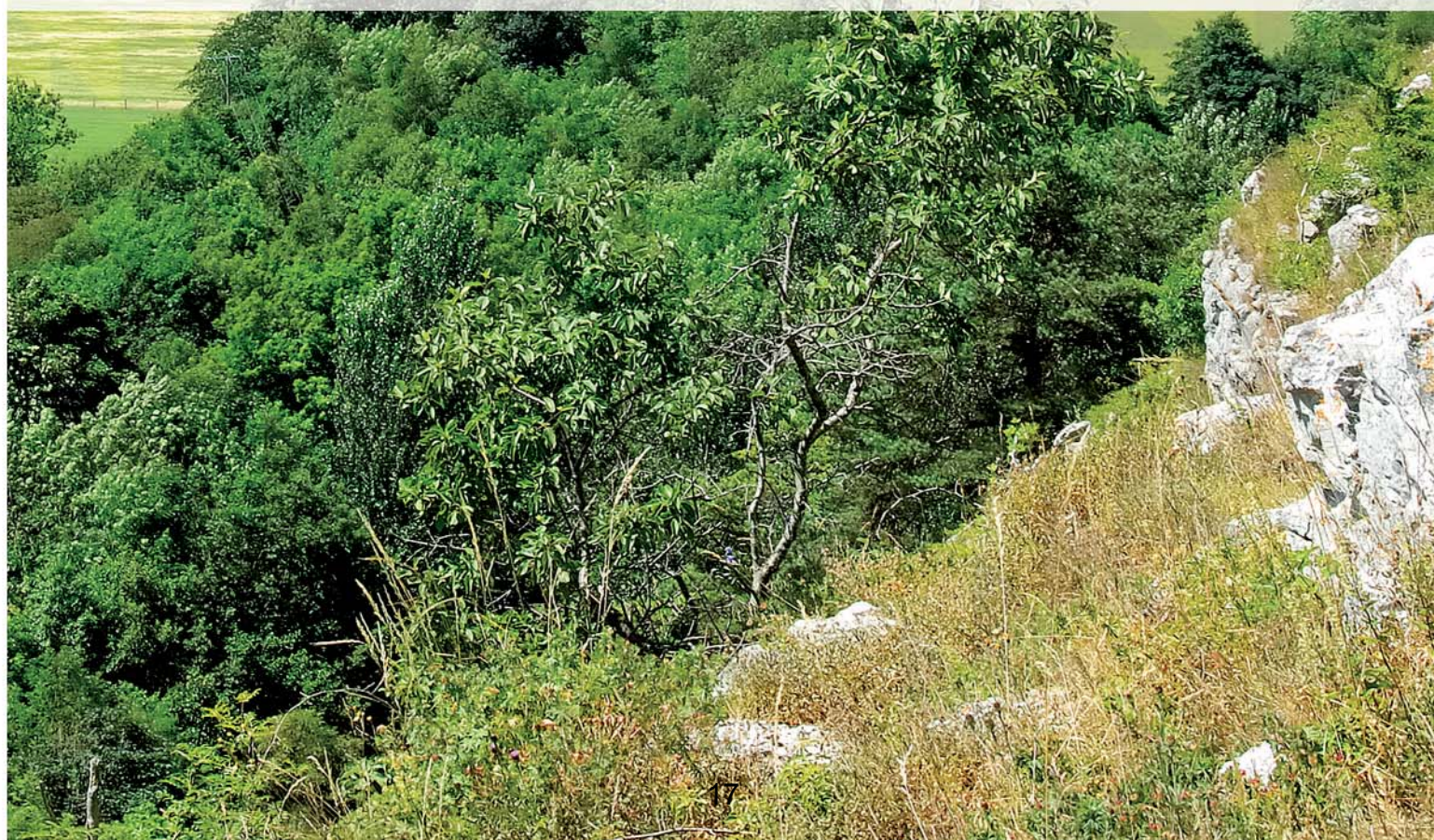E-Mail: karen_armstrong@flintshire.gov.uk

Date: 16/03/2012

Annual Improvement Report

Flintshire County Council

Issued: January 2012
Document reference: 112A2012

About the Auditor General for Wales

The Auditor General is independent of government and is appointed by Her Majesty the Queen. He leads the Wales Audit Office and is held accountable by the Public Accounts Committee of the National Assembly for the Wales Audit Office's work.

The Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales. He also appoints the external auditors of Welsh local government bodies, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. The Auditor General's appointed auditors are responsible for the annual audit of the majority of public money spent in Wales, including the £15 billion of funds that are voted to Wales annually by the Westminster Parliament. Nearly £5.5 billion of this funding is passed by the Welsh Government to local government in the form of general and specific grants. Local government, in turn, raises a further £2.1 billion through council tax and business rates.

As well as carrying out financial audit, the Auditor General's role is to examine how public bodies manage and spend public money, including achieving value in the delivery of public services. The Wales Audit Office aims to make public money count, by promoting improvement, so that people in Wales benefit from accountable, well-managed public services that offer the best possible value for money. It is also committed to identifying and spreading good practice across the Welsh public sector.

Huw Vaughan Thomas, Auditor General for Wales, was supported by Stephen Martin, Karen Lees and colleagues under the direction of Alan Morris in conducting the Improvement Assessment and producing this report.

Contents

Summary report

1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. Drawing on the work of the Wales Audit Office and that of the relevant Welsh inspectorates, this report presents a picture of improvement over the last year. The report is in three main sections, which cover the planning, delivery and evaluation of improvement by Flintshire County Council (the Council).

2 In addition to its statutory duties, the Council set itself improvement objectives which include making communities safe, protecting the local economy and providing high-quality social care, housing and learning opportunities as well as improving collaboration, efficiency and arrangements for management of staff.

3 Overall the Auditor General has concluded that, despite progress in many service areas, certain corporate weaknesses continue to hinder current performance and future prospects.

4 We found that the Council has a strong commitment to partnership working to support improvement; however progress in achieving the Council's objectives is being held back by weaknesses in priority setting, governance, financial planning and people management.

5 We also found that there is good progress in some priority areas but elsewhere progress is mixed and some services are not yet delivering provision at the expected levels. We based this conclusion on the following:

   • There is mixed progress in achieving improved support for people in need but significant developments are underway in adult social care and housing services.

   • The performance of pupils is below the expected levels in some aspects of education whilst standards and prospects for 14 to 19 year olds are good. Significant developments are taking place in leisure and play services but risks remain.

   • The Council is addressing challenges and delivering improvements to help create and maintain a safe, prosperous and pleasant county.

6 Finally, the report sets out our views on the Council's own assessment of its performance and arrangements. We concluded that the Council is continuing to develop its performance monitoring arrangements but weaknesses remain in outcome measures, reliability of information and in some aspects of reporting and evaluation.

Recommendations and proposals for improvement

7   The Auditor General has determined that he will not recommend any intervention by Welsh Ministers nor undertake a special inspection. However, two formal recommendations and other proposals for improvement are made. The Auditor General also proposes to undertake a full corporate assessment during 2012-13. Estyn, Her Majesty's Inspectorate for Education and Training in Wales, also made recommendations following its inspections of local authority education services and its area inspection of provision for 14 to 19 year olds (see paragraphs 133 and 137).

Recommendations	
R1	The Council should report more fully and regularly to the Executive Board on progress in delivering the Human Resources (HR) strategy and *Single Status Agreement* and ensure capacity and capability are available to achieve intended outcomes and timetables.*
R2	The Council needs to complete its work in quantifying the financial benefits of its programme of efficiencies and organisational change by mid 2012-13, to determine the remaining funding gap (shortfall or surplus) and then establish clear plans to identify further savings and/or redirect resources to priorities.*

*These recommendations follow from proposals for improvement made in August 2010 and August 2011.

Proposals for improvement	
To support further improvement, the Council should:	
P1	Complete the work in progress to set clear success measures for all improvement objectives and ensure regular, clear reporting.*
P2	Develop and agree a detailed business plan for improving customer access showing how success measures will be achieved and offer value for money.
P3	Ensure its Annual Performance Report is published by 31 October in line with statutory requirements and more fully reflects Welsh Government guidance.
P4	Improve quality assurance arrangements to ensure that data used to support performance management and monitoring is accurate and robust.

*This proposal for improvement was first made to the Council in January 2011.

Detailed report

Introduction

8 This report was prepared by the Wales Audit Office on behalf of the Auditor General for Wales. On page 2 you can find a brief explanation of what the Auditor General does.

9 Under the Local Government (Wales) Measure 2009 (the Measure), the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. Appendix 1 provides more information about the Auditor General's powers and duties under the Measure. With help from Welsh inspectorates, Estyn (for education) and the Care and Social Services Inspectorate for Wales (CSSIW), we have brought together a picture of what each council or authority in Wales is trying to achieve and how it is going about it. This report also sets out the progress the Council has made since the Auditor General published his last *Annual Improvement Report*, drawing on the Council's own self-assessment.

10 Throughout the report, we set out what the Council needs to do to improve its services. Given the wide range of services provided and the challenges facing the Council it would be unusual if we did not find things that can be improved. The Auditor General is able to:

- recommend to Ministers of the Welsh Government that they intervene in some way;

- conduct a special inspection and publish the report with detailed recommendations;

- make formal recommendations for improvement – if a formal recommendation is made the Council must respond to that recommendation publicly within 30 days; and

- make proposals for improvement – if we make proposals to the Council we would expect it to do something about them and we will follow up what happens.

11 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@wao.gov.uk or writing to us at 24 Cathedral Road, Cardiff CF11 9LJ.

Despite progress in many service areas, certain corporate weaknesses continue to hinder current performance and future prospects

12 The Council's Executive Board adopted 40 priorities in May 2010. These priorities support the five themes of the County Vision, previously endorsed by the Flintshire Local Service Board (the Local Service Board). The set of priorities comprised 10 corporate governance and performance priorities and 30 service priorities. The 40 priorities were subsequently grouped under 10 improvement objectives and included in the Council's *Improvement Plan 2011-12*. The full set of priorities and improvement objectives is in Appendix 4.

13 This report sets out an assessment of the performance of the Council in discharging its statutory duty to make arrangements to secure continuous improvement. We do not undertake a comprehensive annual review of all council arrangements or services. Our work has been focused on the main objectives the Council has set itself and some other key issues. The Council has now grouped the initial 40 priorities under 10 improvement objectives and we report mainly at the level of the improvement objectives. The report builds upon earlier feedback and reports issued to the Council, and the conclusions are based on our cumulative and shared knowledge and findings from work undertaken this year.

14 It is important for councils to have a good self-understanding of how effective they are, and the extent of progress and improvement they are making. The Auditor General, other inspectorates, the Welsh Government and councils are developing a common understanding of effective self-evaluation and this will assist future assessment. We have made some initial comments on self-evaluation at the Council later in this report. We found that the Council is making progress in developing its arrangements for self-assessment and reporting on its improvement objectives, and we commend it for this, but weaknesses remain. Throughout this report we refer to the Council's own information and assessments where available. To contribute to its self-understanding, the Council invited the Welsh Local Government Association (WLGA) to undertake a *Financial Peer Review* and this was carried out in January 2011. We refer to the review findings in the relevant sections.

The Council has a strong commitment to partnership working to support improvement; however progress in achieving the Council's objectives is being held back by weaknesses in priority setting, governance, financial planning and people management

15 This section comments on the Council's planning and arrangements for delivering improvement. It includes the Council's corporate governance and objectives. This section covers:

- previous findings by the Auditor General on the arrangements for improvement and progress on proposals for improvement;

- governance including decision making and scrutiny arrangements;

- the framework of improvement objectives and priorities;

- HR and workforce planning;

- arrangements for collaboration and partnership working with other councils and bodies;

- the use of resources and arrangements to address the financial challenges faced by all councils;

- the Council's arrangements to meet the requirements of the *Equality Act 2010* and to support the Welsh language; and

- how the Council engages with the public and local communities.

16 The Council's corporate governance and performance improvement objectives are:

- 'to be a modern, efficient and cost-effective public organisation through our four resource strategies – the *Medium Term Financial Strategy*, the *People Strategy*, the asset management strategy and the *ICT Strategy* – whilst ensuring our local taxes and fees and charges are fair and affordable;

- to achieve the greatest possible cost efficiencies through regional collaboration to reinvest in local public services;

- to be a modern, caring and flexible employer with fair and equal pay and terms and conditions of employment under a *Single Status Agreement*; and

- to achieve the highest standards of customer service and care through our customer services strategy.'

In August 2011, the Auditor General reported that Flintshire County Council is continuing to actively promote improvement but some arrangements are not fully developed and are likely to hinder the Council in achieving its objectives

17 The Auditor General issued a *Corporate Assessment Update* letter to the Council in August 2011. He said he was satisfied that the Council is discharging its duties under the Measure, and that the Council is likely to comply with its minimum requirements during this financial year. Nonetheless, the Council faces significant challenges to deliver the very extensive programme of change and improvement that it has set itself. The letter said that the Council is continuing to actively promote improvement but some arrangements are not fully developed and are likely to hinder the Council in achieving its objectives. This assessment was based on our findings that:

- Some progress has been made on most of the areas for improvement indentified in the previous *Preliminary Corporate Assessment* and *Annual Improvement Report*.

- Managing the financial challenge through savings programmes and transformation projects whilst being able to deliver its improvement objectives represents a testing agenda for the Council. It will need to continue to strengthen its arrangements and plans if it is to deliver this agenda.

- Whilst there are some positive examples of consultation, the Council's approach to engaging with the public does not follow a coherent methodology. The Council is not consistently using evaluation from consultation to improve the effectiveness of service delivery.

- The Council is actively developing opportunities to extend collaboration with partners as a means of further improving services.

There has been significant progress in developing the improvement planning framework, but not all objectives have clear outcome-based success measures

18   The Council has adopted a clear set of improvement objectives. As noted above, the 40 priorities of the administration were adopted in May 2010, and in June 2011, the Council approved its *Improvement Plan 2011-12*. This plan includes 10 improvement objectives and priorities for directorates and corporate services. The objectives and the improvement plan meet the proposal that the Council should 'review and formally adopt the priorities of the Council' made by the Auditor General in the previous *Annual Improvement Report*. The objectives and plan fulfil the Council's duties for these under the Measure.

19   The Council has strengthened and improved its framework for improvement:

- the improvement plan sets out the overall council objectives and actions designed to meet the objectives;

- the Council also has a set of performance improvement targets for indicators which are important to the Council and where there is a need for better performance; and

- there has also been some work to allocate accountability for the improvement objectives.

20   The Council still has further work to complete the response to the Auditor General's proposal that the Council should 'establish that there are clear leadership and accountability arrangements, success measures, and reporting processes for progress against all of its priorities'. This further work includes:

- Defining clear outcome measures, rather than actions and process measures, for some of the objectives.

- Embedding reporting arrangements on progress with the Improvement Plan as, without this, councillors and officers are not fully aware of progress with delivering the plan. The first progress report has been provided to councillors in January 2012.

- Completing the accountability arrangements at director and councillor levels.

21   It is for the Council to determine its priorities. However, as the Council's chosen priorities cover most of its activities, they may not help to guide decisions about the use of resources. In developing its improvement objectives for 2012 onwards, the Council should consider whether it needs to identify a smaller group of the key priorities. It should also engage more widely in discussions with councillors, partners and communities during the development of the future objectives, as noted in the Auditor General's *Corporate Assessment Update* letter.

While much Council business is conducted appropriately, political fragility, mistrust, and some inappropriate behaviour continue to affect the governance and leadership arrangements

22   Much day-to-day council business is conducted in a cordial and appropriate manner with positive relationships between councillors and with officers. We found some good scrutiny work and evidence of positive leadership by the Executive and senior officers.

23   Whilst much business is conducted satisfactorily we also found that the effective governance of the Council is affected by the political fragility of the multi-party administration. We found a degree of mistrust between officers and councillors, and between Executive and Scrutiny. This mistrust has contributed to slower progress than intended on some key council priorities.

24   The tensions are related to the political fragility of the Council, and the continuing delay in resolving a case referred to the Adjudication Panel for Wales by the Local Government Ombudsman. We found continuing concern by some councillors and some officers about inappropriate behaviour by a small number of councillors.

25   We found that workshops were being used effectively to inform councillors about sometimes contentious issues, ranging from options for school reorganisation to budget planning. However, the use of such meetings is extensive, and in some cases can seem as being used to replace the policy development role of overview and scrutiny committees. Holding workshops that are not in the official council diary adds to the already high number of meetings, and councillors who are working or have other responsibilities may be less likely to be able to attend than for scheduled meetings. We would expect the use of workshops to reduce in the future.

26   The relatively weak position of the leadership of the multi-party administration sometimes requires the Chief Executive and senior officers to carry out additional leadership activities particularly to support the delivery of important council priorities. Senior officers may then be seen as having too much influence in decisions that should be the responsibility of councillors. Officers may then be held to account by overview and scrutiny committees for matters that result from political decisions and for which the political leadership should take responsibility.

27   The political fragility of the Council, combined with the challenging agenda for change, leads to the need for a high level of strategic and corporate leadership. The need to increase leadership capacity and capability was recognised in the Council's response to the WLGA *Financial Peer Review*. This is an ongoing risk for the Council, and therefore progress in this area will be considered in the Auditor General's next Corporate Assessment.

28   The political fragility places a responsibility on all councillors who are entitled and expected to engage in appropriate political debate. But, they also have a duty, set out in their code of conduct, to treat fellow councillors and officers with respect and to not unduly bring the Council into disrespect. There is also a particular responsibility on political group leaders to assist by helping ensure their group members follow the code of conduct. Officers can also contribute by ensuring that information is available for committees on time and contains necessary information for councillors to carry out their roles.

Whilst there has been some progress in aspects of the people strategy, the expected completion of a Single Status Agreement has been delayed, there is no expected date for completion of a corporate workforce plan and there are some other important human resources weaknesses

29   The Council assessed its performance in 2010-11 against the priority 'to be a modern, caring and flexible employer with fair and equal pay and terms and conditions of employment under a *Single Status Agreement*' as adequate. The Council's Annual Performance Review notes that the individual activities that contribute to this objective and to the people strategy element of its objective to be a modern, efficient and cost-effective organisation, are mainly 'amber'. The amber status denotes that work is currently in progress but is expected to be completed behind schedule, and this status has continued in quarterly reports during 2011-12.

30   The Council is making progress in many areas of its programme of people management. It is seeking to implement major changes in its HR arrangements and has a very challenging agenda. Examples of progress include:

•   continuing work to remove inaccuracies from HR information systems and a to achieve a more accurate assessment of the number of posts and staff working for the Council;

•   improving arrangements for managing the taking on and the cost of agency workers and consultants;

- establishment of an occupational health partnership with Wrexham County Borough Council;

- updating several key council HR policies;

- the completion of the roll-out of Employee Self-Service to staff with computer access, so that staff can update their personal information directly onto the HR system;

- work is well underway to introduce a similar Managers' Self-Service system during November 2011 to February 2012, so that they can enter information quickly; and

- continued development and provision of extensive corporate development programmes.

31 Whilst progress is being made in these areas, the overall progress with delivery of the people management strategy has been slower than expected in many of the most important areas including:

- Establishing accurate information about the numbers of posts and staff working for the Council. This information is essential for much of the Council's ongoing and future plans, yet this is still compromised by inaccurate data, despite improvement over the last year.

- Little progress is being made on developing corporate workforce planning and there is no clear timetable for achieving a council-wide workforce plan and development strategy.

- The completion of work on job evaluation, Single Status and terms and conditions.

- The Council has been reviewing the structure of the HR service since 2009. The scope of the work has been changed on several occasions, and the completion date extended. The Council now plans to implement the service changes in May 2012. It is intended that the new structure will include a dedicated resource for organisational development, to support effective change management and workforce planning.

32 In his *Corporate Assessment Update* letter in August 2011, the Auditor General noted the progress in many areas but that the overall pace of delivery is behind schedule, with regard to people management. To support improvement in this area, he proposed that by the end of October 2011, the Council should complete a review of overall progress with the *People Strategy 2009-12*, prioritise outstanding actions and the resources necessary to achieve them, and report on this to councillors.

33 The review was carried out and reported to the Executive Board in November 2011. The report and revised plan to support the strategy identified four top priorities, although the timetable for these was reviewed and in some cases completion was put back. The top priorities the Council identified are:

- Single Status and Equal Pay;

- negotiations of revised terms and conditions;

- the organisation design change project; and

- phase II of HR management information system (Employee and Manager Self-Service).

34   Other areas of work have been delayed or deferred. These include:

- the development of a graduate recruitment programme;
- regional workforce planning; and
- rolling out the Council's competency framework.

35   The review report noted that in some cases, a 'more proportionate/measured approach has been taken to deliver actions, for example, a low-key approach to introducing internal workforce planning'.

36   The revised plan identified that additional resources would be required for eight areas of work, and these had been secured. However, councillors were given no information about what the resources were and from where they had been secured.

37   In common with about half of councils in Wales, the Council has not completed a legal, acceptable and affordable *Single Status Agreement.* This process is dependent on the completion of job evaluation arrangements and is also linked to plans to negotiate reduced costs of employment through changes to employee terms and conditions. Initial work on job evaluation began in 2003. A proposed *Single Status Agreement* was withdrawn in late 2009 and a revised process started. A consultant was appointed as Project Manager and a Single Status Project Board of councillors, senior officers and trades union representatives was established in 2010 to help develop the revised agreement.

38   The board was initially active but the frequency of meetings has reduced, and it didn't meet between July and December 2011. The timetable for the project has slipped on a number of occasions and further delays were reported to the Executive Board and the Corporate Resources Overview and Scrutiny Committee in November and December 2011. The Council now plans to complete the work on the agreement by November 2012. The report to the Executive Board in November 2011 noted that meeting this timetable is 'wholly dependent on the full commitment and ownership of the Corporate Management Team and Senior Management, councillors across all political parties and the Joint Trade Unions as well as the appropriate resources being secured for delivery of the project'.

39   The Council tells us that senior officers and councillors and the trade unions now have more confidence that the Single Status project will be delivered this year. This follows the acceptance in December 2011, by the Project Board, of a new high-level plan and the later completion date. This work has lead to the Council amending the level of risk it has assigned to this work, from red to amber. The amber rating means the Council recognises that the project has 'some delay in scheduled activity, but is broadly 'on-track' with 'an uncertain level of confidence in the achievement of the outcomes'.

40   The Auditor General will undertake additional work in early 2012 to assess the effectiveness of the Single Status project management arrangements and whether the necessary commitment, capacity and capability is in place to achieve the revised timetable.

Progress is being made but the Council has not completed work to establish a clear medium-term financial plan that fully incorporates the financial implications of its efficiencies and savings programmes in order to determine the projected shortfalls (or surplus) for future annual budgets and to put plans in place to meet them and to allocate resources to priorities

41 The medium-term financial plan and the asset management strategy are two of the resource strategies that contribute to the Council achieving its objective 'to be a modern, efficient and cost-effective public organisation...whilst ensuring local taxes, fees, and charges are fair and affordable'. The Council assessed its performance on this objective as 'adequate', whilst progress on the elements of developing its *Medium Term Financial Strategy*, financial management, and buildings management were assessed as 'amber' (meaning expected to be completed but behind schedule). Progress on elements of the objective related to delivering efficiencies and managing within budget, and for collection of council tax and non-domestic rates, was rated as 'green' (meaning completed or expected to be completed ahead of schedule).

42 In September 2011, the auditor appointed by the Auditor General issued an unqualified audit opinion on the 2010-11 accounting statements, confirming that they present a true and fair view of the Council's and Clwyd Pension Fund's (the Pension Fund) financial position and transactions. Whilst the opinion was unqualified, an emphasis of matter was included to draw attention to the nature and

value of private equity investments held by the Pension Fund. A number of matters arising from the audit of financial statements were reported to members and are summarised in the *Appointed Auditor's Annual Audit Letter*, included as Appendix 3.

43 In January 2012, based on month 7 figures, the Council forecast that it is likely to end the financial year with an underspend of £0.6 million. This is made up of a net overspend on services of £0.2 million, which is offset by a contribution of £0.8 million from central and corporate budgets. The 2011-12 budget contains £8.9 million of specific efficiencies and projections indicate that £7.7 million will be achieved.

44 The Council adopted its *Medium Term Financial Strategy* and initial medium-term financial plan in June 2011. This followed recognition within the Council of the need to strengthen its strategic financial planning which was reinforced by recommendations from auditors, both internal and external, and the WLGA *Financial Peer Review*. In August 2011, the Auditor General's *Corporate Assessment Update* letter said that 'by the end of 2011, the Council should complete the development of its medium-term financial plan so as to allow informed decisions on how funding pressures will be addressed and resources allocated to achieve improvement objectives'.

45 Since June 2011, the Council has focused its efforts on building its medium-term financial plan to provide robust estimates of the Council's financial position over a three-year window (2012-13 to 2014-15). This has included identifying both unavoidable pressures and efficiencies. In particular, it is worth noting, that following a *Flintshire*

Futures project, which reviewed and challenged budgets across the whole organisation, the Council has identified just over £2 million of further efficiencies.

46   The latest medium-term financial plan predicts funding shortfalls of £1.718 million in 2012-13 rising to £4.132 million in 2013-14 and £7.388 million in 2014-15. It is in this context that the 2012-13 budget is being set.

47   Work has also been ongoing to develop a capital strategy and 10-year capital programme and to ensure that both revenue and capital expenditure plans are fully integrated and that the revenue implications of capital expenditure proposals are understood and built into the financial plan.

48   In comparing the Council's current position, in understanding its financial outlook and having a clear framework to manage its resources, with this time last year, the Council has made considerable progress, albeit from a relatively low base. However, critically, there is further work outstanding to ensure the Council is well-placed to meet the financial challenges ahead.

49   The current focus is on setting a balanced budget for 2012-13, and in the immediate future, this is rightly the priority. However, the Council needs to, shortly thereafter, identify the specific ways in which it will meet the funding shortfalls in 2013-14 and 2014-15 to allow sufficient lead in time for more difficult decisions and plans to be actioned to yield the savings at the appropriate time.

50   In addition, the Council should consider whether it wants to identify a greater level of savings, than just to meet the funding shortfall, in order to allow it to redirect resources to areas of highest priority to further the achievement of its objectives.

51   Essentially, the Council needs to fully establish the financial implications of the *Flintshire Futures* and any other efficiency projects to assess whether they are sufficient to meet the funding shortfall and create capacity or whether other initiatives are required in addition. The Council is currently working on this.

52   The *Flintshire Futures Programme* is the Council's programme to modernise and reshape service delivery and respond to the challenging financial future facing local government. The programme was initially co-ordinated by a consultant appointed jointly with Wrexham County Council. At Flintshire they developed a programme which focused on two sub-programmes: a 'Change' programme to increase efficiency; and a 'Choice' programme focused on collaboration and alternative methods of delivery. An initial group of short, medium and longer-term projects was identified and an approach to structured project planning adopted.

53   Since then the programme has continued to develop. The contract with the consultant has ended, and the work is now managed through the part-time leadership of two heads of service, who have been appointed as assistant chief executives. The Council is also amending the approach to project planning to ensure it reduces complexities and is time-efficient. A new approach is being developed.

A total of 57 projects structured around four themes have been identified. The themes are:

• Corporate change

• Service change

• Regional collaboration

• Local county collaboration

54 The programme includes many projects that are being developed within services and across services. The initial aim was to identify 5 to 10 per cent savings for the Council but it is unclear what savings will be realised from individual projects. The *Flintshire Futures Programme* Team consists of officers who are seconded, mainly on a part-time basis, to support delivery of the projects.

55 There is limited councillor engagement with the programme although high-level reports have been provided for the Executive. The reports to the Executive have not reported the changes to the programme management and lacked specific information about the levels of savings and efficiency to be achieved by the projects or the programme. Whilst the programme is regularly referred to in budget monitoring reports, there has not been any specific report on the programme to the Corporate Resources Overview and Scrutiny Committee and no scrutiny of the programme is included in the work programme for the committee for 2011-12. Some information was included in a Workforce Bulletin in December 2011, but the programme does not have a fully developed communications strategy to ensure that effective and timely internal and external information is provided about the programme and its many projects.

56 The Council's *Annual Performance Report* says that all the projects are underway and have project sponsors and management arrangements in place. Following the appointment of the heads of service, there is currently a 'stock-take' taking place which is likely to lead to some projects being downgraded and a greater focus on projects with the potential to make the most difference.

57 In the Auditor General's *Corporate Assessment Update* letter, he said, 'it is yet not clear whether the programme has sufficient political support or the capacity for effective delivery'. Whilst the additional leadership and the stock-taking are appropriate steps forward, these concerns remain.

58 The Council faces significant challenges in the management of its non-domestic building stock and its housing stock. The Council accepts it has too many non-domestic buildings that are costly to maintain, have inflexible working spaces and buildings that are no longer in the right place. It has established a project within the *Flintshire Futures Programme*, to improve asset management through rationalisation of offices, agile working and the creation with partners of 'community hubs' where services can be accessed by the public. The Council's assessment is that progress on its asset management work is 'amber'.

59 The Council has also prepared a draft *Housing Asset Management Strategy 2012-2018* that sets out the Council's plan for maintaining its housing stock, taking into account the investment needs of homes across the county and the money available for improvements from the Housing Revenue

Account. The strategy says that a survey of the Council's homes showed that an investment of around £166 million is required to bring the properties up to the Welsh Quality Housing Standard in five years. The Council can expect to have £49 million available for capital expenditure in the same period. This funding shortfall is one factor in decision of the Council to undertake a housing stock transfer ballot, which is considered further later in this report.

The Council has improved local strategic partnership working and is continuing to develop collaborative working with neighbouring councils and through regional projects although the cost efficiencies to be achieved are, as yet, uncertain

60 The Council has an objective 'to achieve the greatest possible cost efficiencies through regional and sub-regional collaboration to reinvest in local public service'. For 2010-11, it assessed its progress against this objective as 'adequate'.

The Council is playing a key role in the development and rationalisation of strategic partnerships

61 The Council plays a key role in the local statutory partnerships: the Local Service Board; the Children and Young People's Partnership; the Community Safety Executive; and the Health, Social Care and Well-being Partnership. It has also helped lead the development of the Regeneration Partnership, the Flintshire Housing

Partnership, and the Voluntary Sector Compact. It has led the development of a governance framework for the partnerships which is being followed.

62 The partnerships are increasingly seeking to use outcomes-based accountability to consider how they will measure their achievements. It will be important to develop an outcomes-based approach so that the achievements through partnership can be assessed. At present, it is too early to evaluate the contribution that partnership rationalisation will have on delivering clearer outcomes.

63 The Council has played a significant role in developing and leading arrangements for regional rationalisation and sub-regional consolidation of the statutory partnerships. These developments are progressing well with the merger of some local partnerships and the establishment of a regional Safer Communities Board. The Council has also played an important role in the development of the first joint Flintshire and Wrexham *Community Safety Partnership Plan 2011-2014*. A project group was established in June 2011 to explore options for collaboration and merged arrangements for Flintshire and Wrexham Youth Justice Services and this work is progressing.

64 Regular reports on partnership arrangements are provided for the Executive Board. The Community Profile and Partnerships Overview and Scrutiny Committee was created in 2010-11 to 'consider the Council's relationships with other public service providers and our partners'. During 2010-11, the committee held meetings with the North

Wales Police, Glyndwr University and the North Wales Fire and Rescue Service. It has also considered update reports on partnership work and specific reports on projects and developments.

Local Service Board projects are developing

65   The Local Service Board has had a Carbon Reduction and Adaptation Planning project since 2009. The Council was also one of four councils chosen to be part of a Climate Change Adaptation Planning pilot project, supported by the WLGA, Welsh Government, Environment Agency, Countryside Council for Wales, and the UK Climate Impact Programme. Through this pilot project, the Council has worked with the Local Service Board to identify the shared climate change risks for the Council and its partners in Flintshire.

66   The Council is also working with partners on the Local Service Board project on preventing and reducing poverty and disadvantage, which is focusing on benefit and debt advice. It is seeking to provide improved access for citizens to advice and other support.

Collaboration with neighbouring councils in delivery of services is increasing

67   The Council has increased local collaboration with neighbouring councils. Developments include:

- the Council providing a joint occupational health service for itself and Wrexham County Borough Council;

- the Food Waste project with Denbighshire and Conwy councils which has identified a preferred bidder to deliver the project;

- a joint Wrexham and Flintshire Local Safeguarding Children Board, established in April 2011;

- a North East Wales Emergency Duty (social work) Team for Wrexham, Denbighshire and Flintshire councils;

- a 'purchase to pay' (P2P) e-procurement system is being jointly procured with Wrexham Council; and

- the Council has entered into a joint management arrangement with Denbighshire County Council for the management of a procurement service.

68   The Council is the host body for the North East Wales Play Community Project (NEW Play) which is a multi-agency partnership developing an infrastructure for children's play space and delivering play activities across Wrexham, Denbighshire and Flintshire. The NEW Play project will employ eleven staff funded for three years from July 2011 through the Big Lottery Fund *Child's Play Programme*.

Regional collaboration projects are being developed

69   With other councils in North Wales, Flintshire is part of the North Wales Regional Leadership Team and is involved in four programme boards, each of which has a number of projects for regional collaboration (see Exhibit 1).

The four regional programme boards are developing a range of projects

Programme board	Progress
Education and Related Services	• School Improvement Service (A second phase is expected to extend the scope of the service) • Collaboration in Library Services
Social Care and Health	• Commissioning Hub • Supporting People Services • Telecare • Workforce Development • ICT support for client records (PARIS and RAISE)
Environment and Regulatory Services Board	• Fleet Management • Transforming Transport • Waste • Taith Extension • Economic Development
Support Services	• Legal Services • ICT • Procurement • Single Person Discounts • Emergency Planning

70 The Council is continuing to play a leading role in the North Wales Residual Waste Treatment Project. The project is progressing well and is currently in the process of identifying a preferred bidder to deliver a residual waste treatment provision for five North Wales councils.

71 Flintshire is the lead council for the Shared North Wales Minerals and Waste Planning Service which became operational from April 2011. A report on progress and lessons for future collaborative services was presented to the Executive in November 2011. The financial benefits of the service are to be reviewed after the first year.

72 The North Wales Adoption Service for all six North Wales councils was established from April 2011.

The Council is working towards meeting the requirements of the Equality Act 2010 and to address weaknesses in implementing its Welsh Language Scheme

73 Under the public sector duties of the *Equality Act 2010* all public bodies are required to set equality objectives by April 2012 and publish a strategic equality plan. We found mixed awareness of the *Equality Act 2010* amongst senior officers. However, work is being undertaken by the Council to engage stakeholders to identify and prioritise local equality objectives.

74 The *Annual Performance Report* and the Council's *Annual Equality Report 2010-11* identify a wide range of equalities actions that show the Council's commitment to achieving its equalities objectives.

75 Equalities impact assessments have been introduced and some full assessments have been undertaken, although these are not yet consistently completed and the quality of the assessments is varied.

76 The Welsh Language Board and the Council have identified eight priority areas that require action to enable the Council to address fundamental weaknesses and risks in implementing its *Welsh Language Scheme*. The Welsh Language Board says 'the Council has made progress in all eight areas, but a significant amount of work remains to be done to achieve the requirements of the Scheme, particularly in relation to business planning, performance management and the implementation of a *Welsh Language Skills Strategy*. The board praised the Council for assessing the language requirements of all public-facing posts. Although the number of Welsh speakers that currently occupy those posts designated 'Welsh essential' is low, the Council is committed to filling the posts with Welsh speakers when they become vacant.' The Council is undertaking an assessment to inform actions to be taken in 2012-13 to address issues in business planning, performance management and other areas identified.

Work is planned to develop an improved corporate approach to public engagement

77　The Wales Audit Office undertook a review of arrangements for public engagement in Flintshire as part of an all-Wales study. The findings were reported in the Auditor General's *Corporate Assessment Update* letter in August 2011. The conclusion was that 'whilst there are positive examples of consultation by some services, the Council's corporate approach to engaging with the public is underdeveloped and does not follow a coherent methodology. The Council is not consistently using evaluation to improve the effectiveness of its consultation or of service delivery.'

78　As a result, the Council has endorsed the new *National Principles of Public Engagement in Wales* developed by the Welsh Government and Participation Cymru (a partnership of public and third sector organisations) and is planning to develop an improved corporate framework for public engagement. It is awaiting the publication, in early 2012, of the Wales Audit Office national study on public engagement and associated good practice.

The Council is progressing with changes aimed at improving customer access although it is at an early stage, and the extent of benefit and the value for money is not yet clear

79　The Council's objective 'to achieve the highest standards of customer services and care through our customer services strategy' is to be met through:

- the introduction of 'Flintshire Connects' (customer access points);

- a 'Channel Shift' project to enable customers to switch to using self-service forms of business, such as transaction via the Council's website; and

- improving customer services through the development of customer contact centres such as the Streetscene customer contact centre.

80　The Council assessed its overall progress on this objective in 2010-11 as 'good' although some aspects of the priority were 'amber' meaning they were progressing but behind schedule. By mid 2011-12, all three main elements were assessed by the Council as making good progress with full confidence in the likelihood of achieving the intended outcomes.

81　Workshops for councillors have been held on these developments and the Executive Board has agreed to the location of the first Flintshire Connects facility in Holywell. However, the Council has not yet set out the clear business cases for the Flintshire Connects project showing the full costs and

benefits of the project, the specific outcomes that can be expected, and the success measures that will be used to assess the effectiveness of the developments.

82   The improvement plan 'outcomes' for this objective are actions (for example, 'introduce the first phase of the Flintshire Connects programme'), not outcomes, and lack suitable success measures against which improvements for citizens can be assessed. The Council is continuing to work on the development of outcome-based success measures. A benefits realisation exercise for the Flintshire Connects project is being carried out for completion by the end of February 2012.

83   Flintshire Connects and the 'Channel Shift' development have become two projects within the *Flintshire Futures Programme*. The Council intends to produce six Flintshire Connects facilities and Holywell has been identified as the possible location for the first facility with an anticipated opening in June 2012. The Holywell facility is being planned with involvement from North Wales Police, Communities First and Deeside College.

84   The Council has undertaken visits and exercises to help develop the vision and learn from other contact centres in Wales and in England. However, the information provided to councillors does not indicate the benefits achieved for customers or the costs of the different centres visited.

85   A report for the Executive Board on the proposed development indicated that the first facility would require £275,000 capital and additional initial revenue expenditure. At present, it is estimated that there may be additional revenue costs of £75,000 in the first year of the project but that over a five-year period total staffing savings of £300,000 might be achieved. The limited financial information appears very provisional and an insufficient basis for the business case for such a major development. The Council believes that the benefits realisation exercise, and the experience of developing the first centre at Holywell, will inform the financial planning of other centres.

86   The Channel Shift project is at a very early stage of gathering data and information. The intention is to encourage residents contacting the Council to shift from face-to-face contact to telephone or the website.

87   The Council is progressing with the development of a contact centre for handling all telephone calls about the Streetscene service. It is expected that the contact centre will begin early in 2012.

88   The *Customer Services Strategy 2010-13* was agreed in May 2010 and presents high-level objectives as well as outline proposals. The strategy highlights the need for the Council to 'understand the needs of our customers better and ensure that our plans are in tune with their needs'. It says that 'as well as how customers want to access the Council we also have to understand:

• When they prefer to contact us

• Why they are contacting us

• What they are contacting us about'

89   The Council has been undertaking some work to develop its understanding of its 'customers' and their changing needs but what it has learned and how this will influence the pattern of developments to improve access to services has not yet been reported.

90   The strategy highlights the average costs of face-to-face, telephone and online transaction costs in England and Wales and has used these as the basis for its proposals. However, the costs that apply for Flintshire have not been calculated and the Council considers that it would be very difficult and counterproductive to do so. The Council believes that implementation of the proposals in the customer services strategy will allow for improvements in measuring the cost of contact. The ability to understand the costs of services will be an important aspect of decisions on the future arrangements for customer contact. This will apply to the Flintshire Connects facilities and the Channel Shift projects.

There is good progress in some priority areas but elsewhere progress is mixed and some services are not yet delivering provision at the expected levels

91   The conclusion from our reviews of how the Council is delivering improvement in priority areas is that there is good progress in some priority areas, but elsewhere progress is mixed, and some services are not yet delivering provision at the expected levels of service.

There is mixed progress in achieving improved support for people in need but significant developments are underway in adult social care and housing services

92   This section covers how well the council is delivering improvement in its support for people in need. The Council's main objectives to support people in need are:

- to promote independent, healthy and fulfilled living in the community with the highest-quality personalised and supportive social and health care services;

- to meet housing need in the county and to work with partners to ensure a sufficient supply of quality and affordable homes and housing services in the social, mixed tenure and private sector housing markets; and

- to protect and grow the local and regional economy, to be a prosperous county and to provide help and support for those vulnerable to poverty.

93   The Council appointed a new Director of Community Services, who started in July 2011, after an 18-month period in which the vacant post was covered by the Chief Executive and the three heads of service. The director's responsibilities include the statutory role of Director of Social Services and overall leadership of social services and housing services.

The Council is seeking to address weaknesses in and to develop both adult and children's social services, and has adopted a plan for transformation of adult social care

94   The Council assessed its performance in 2010-11 in promoting independent, healthy and fulfilled living with the highest quality social and health care services as 'adequate'.

95   The CSSIW provides an annual review and evaluation for each council in Wales following the submission of a report by the Director of Social Services. The overall summary from the CSSIW review for 2010-11 said:

- 'There is strong commitment to collaborative working and in exploring new ways of delivering services. Children's services has continued to develop improved ways of engaging with children and young people, whilst adult services have embarked on a programme of transformation in continuing to shift the focus to prevention, promoting independence and reablement.

- However, this is a testing time for the Council with significant challenges in the year ahead.

- For adult services in particular, changes in the health board structures in North Wales and the creation of the Betsi Cadwaladr University Health Board has affected local momentum, but there are signs that this is improving. Greater clarity of longer-term commissioning intentions for learning disability services is required and this remains a priority.

- A number of key performance indicators in children's services reveal that some of the care management processes require sustained attention in order to deliver the

best outcomes for children and young people. Despite some progress, too many have not reached the standards previously set, with a number falling significantly. It is recognised that the incorporation of the PARIS information system into practice affected the accuracy of recording earlier in the year, and that this has impacted upon overall performance indicator reporting. The educational achievement of looked after children has improved, but this needs further attention and should remain a key priority for the Council.'

Adult social services are facing a testing time but a plan for transformation has been agreed

96   Since the appointment of the new director, the Council has increased its actions to address weaknesses in adult social care service in the short and long term.

97   The Council's *Annual Performance Report* notes that:

- *Good Health, Good Care in Flintshire 2011-14*, the next health social care and well-being strategy has been approved; and

- the number of users of the reablement service has increased as did the percentage of carers assessed and provided with a service.

98   The report acknowledges that, in 2010-11, slower progress was made in supporting people through direct payments and in achieving improved delivery of adaptations.

99   The CSSIW review and the Council's quarterly performance reports for 2011-12 identify a number of service areas for adults where performance is below expectations. To increase the pace of change towards a focus on prevention, promoting independence and reablement the Council has agreed a 'Transforming Social Services for Adults' (TSSA) plan.

100   During the first half of 2011-12, the adult care service has made savings of approximately £250,000 through vacancy management. Managers are taking on additional work to mitigate the impact. It has been reported that these vacancies will remain and contribute to the flexibility required for TSSA, both through service redesign and efficiency savings.

101   A number of other actions are also expected to contribute to improvement:

- A review of the service user journey through adult social care services is being undertaken using 'Lean' methodology and is due to be completed by February 2012.

- The Council is following an 'improvement target action plan' to focus attention on key areas of performance.

- The Council is also involved in the plans to develop a regional commissioning, procurement and monitoring hub for high-cost, low-volume residential care in the following service areas:
  – Children's Services
  – Learning Disabilities
  – Physical Disability and Sensory Impairment
  – Mental Health

- In mid 2010-11, the Council has reported that work is progressing ahead of schedule with modernisation and expansion of the warden service. The recommendations to pilot an expanded service have been approved by councillors with a six-month pilot starting in November 2011.

Some progress has been made in Children's Social Services, but the Council acknowledges that further improvement is needed

102 The Council's *Annual Performance Report* shows mixed progress in children's services. Its performance report for mid 2011-12 shows many actions and indicators are assessed as 'amber' meaning activity is in progress but behind schedule.

103 The CSSIW review noted positive work with young carers and that regular internal reviews were carried out to test compliance with assessment and care management policies and procedures. But, the CSSIW also said:

- 'care management, particularly of looked after children needs to improve;

- assessment, planning and timely reviewing of cases of children in need is an essential means of safeguarding and preventing potential escalation of difficulties and consequently requires immediate and ongoing improvement; and

- there is further work required to improve the quality of data, which is still not completely accurate and reliable.'

104 The CSSIW review also noted 'that the Speaking Out for Children in Care Group and the Care Leavers' Support Network are established and used effectively to review and improve services. The *Pride of Flintshire*

Awards event is highly regarded and celebrates the achievements of looked after children.'

105 The merger of the Flintshire and Wrexham Local Safeguarding Children Boards became effective from April 2011. Progress is being reported to the Council's Social Care and Health Care Overview and Scrutiny Committee, and will also be will be subject to ongoing monitoring and review by the CSSIW.

106 The CSSIW will be inspecting children's assessment and care management arrangements in March this year.

107 In mid 2011-12 the Council has reported good progress with improving arrangements for out-of-county placements for children. This has led to a forecast that there will be an underspend in the budget for placements.

The Council is making reasonable progress in meeting housing need but it acknowledges that further improvement is needed

108 The Council has assessed its performance in 2010-11 as 'adequate' for its objective 'to meet housing need in the County and to work with partners to ensure a sufficient supply of quality and affordable homes and housing services in the social, mixed tenure and private sector housing markets'. Most of the specific actions assessed were rated as 'amber' meaning that progress was being made but behind schedule.

109 The priorities for this objective have been:

- to deliver an affordable housing supply through the affordable housing strategy;

- to make a marked and rapid improvement in the quality, flexibility and performance of

housing management and repairs and maintenance services and to improve the financial performance of the Housing Revenue Account; and

• to determine the future of the Council's housing stock through a tenant ballot and a strategy to achieve the Welsh Housing Quality Standard.

110 The Council is making progress in all these priorities but continues to face significant challenges.

111 The Council's performance in providing affordable housing in 2010-11 was close to the average for Wales, although below the targets the Council had set for itself. In addition to its own continuing work to provide affordable properties in the county, the Council is also working closely with other councils and partners. These include:

• A joint review of the local housing strategy in conjunction with Wrexham County Borough Council – and a joint consultation event was held in November 2011.

• A 'Common Access Routes to Housing' Project involving Conwy, Denbighshire and Wrexham Councils, in addition to the registered social landlords active in the area.

• Glyndwr University has commenced a joint Local Housing Market Assessment update. This was commissioned jointly with Wrexham Council.

• A regional housing register and common allocations policy is being developed and currently involves Flintshire, Wrexham, Denbighshire and Conwy Councils in addition to several registered social landlords.

• Procurement of loans administrator – this is a collaborative project involving Flintshire, Denbighshire and Gwynedd Councils.

112 There has been progress with improving many aspects of landlord services including dealing with urgent repairs. However, performance in addressing voids (empty properties), rent arrears and non-urgent repairs is still below expected levels.

113 The Council has made continued progress towards a housing stock transfer ballot. Whilst the timetable has slipped, at the end of November 2011 the Council agreed to proceed with the 'stage 1' consultation beginning in January 2012. Subject to the consultation, it is intended the ballot should go ahead in February and March 2012. This will be an important step in improving the quality of the housing stock.

114 There has been good consultation with tenants about their priorities for improvement. The Council has agreed and published plans for £49 million of expenditure on the housing stock in the five years from 2013 if tenants decide to not transfer to Dee Housing, a new not-for-profit registered social landlord. If tenants decide to transfer to Dee Housing, £166 million would be spent on the stock in the same period.

115 Despite this work, the Council forecasts that only 26 of its houses will fully comply with the Welsh Quality Housing Standard by 2020. Flintshire is one of only three councils in Wales which is forecasting that its stock will not be fully compliant with the standard by the end of the decade.

The Council has made some progress in the support it is able to offer people who are vulnerable to poverty. But the Council still faces significant challenges in delivering these services, and more could be done to co-ordinate activities

116 Part of the Council's improvement objective 'to protect and grow the local and regional economy, to be a prosperous county and to provide help and support for those vulnerable to poverty' is related to the 2010-11 priority to reduce extreme poverty and make the best use of local resources to provide advice and extend benefits take-up.

117 The Council's *Annual Performance Report* indicates the status of this work is 'amber' meaning that progress is being made but behind schedule. It refers to the Council and its partner organisations developing work through the Local Service Board on the theme of 'maximising income' for people.

118 The Local Service Board work aims to improve the provision of welfare advice from different agencies and to achieve a more co-ordinated service. A pilot service started in October 2011 and an 'outcomes based accountability' approach is being used. However, the success measures have not yet been set for this work.

119 The Council's own Welfare Advice Casework Service has supported an increased number of people. In the first half of 2011-12, the service helped Flintshire residents with benefits claims and tribunals to obtain £1.3 million. The Money Advice Caseworker Service also provided help to more people who faced possible homelessness as a result of debts.

120 The performance of the Council in administering council tax and housing benefits plays an important part in the Council's work to support people in need and reduce poverty. Significant concerns were raised by the Wales Audit Office in 2010 about the administration of benefits and the grant claims made for recovery of benefits. The Council has worked with the Department of Work and Pensions Performance Team to review and streamline processes. Good progress has been made and audit work on the 2010-11 housing and council tax benefit subsidy claim identified significantly fewer issues. There has been substantial improvement in the performance of the benefits service.

121 The Council has identified that the planned national welfare reforms will present a further significant challenge to efforts to reduce poverty. The Council's *Improvement Plan 2011-12* has altered the focus of the 'poverty' aspect of the improvement objective to include managing welfare reform. The main sub-objectives are now to:

- implement the Families First initiative;

- work on a North Wales approach to develop a shared methodology to determine care fees in the future; and

- develop a strategy to manage the impacts of welfare reform (in conjunction with the Local Service Board project).

122 These actions are wrongly described as 'outcomes', as these are actions or tasks. Appropriate outcome measures have not yet been agreed.

123 The Families First initiative has been implemented across Flintshire, Wrexham and Denbighshire, bringing additional resource to family support services and new models of intervention and is progressing. Its principal focus is on supporting families through interventions at the preventative and protective stages. The programme aims to drive improvements to family support design and delivery and, in so doing, reduce the numbers of families developing more complex needs and thus requiring more intensive and costly interventions.

124 The Auditor General's *Annual Improvement Report* covering 2009-10, which was published in January 2011, noted that 'not enough has been done to bring together the many ways in which the Council can contribute' to tackling poverty. This remains an issue. However, the proposed Welfare Reform Strategy will link together all the various anti-poverty initiatives that the Council and its partners are currently managing. The strategy will aim to 'implement a long-term strategic approach to promote the positives and mitigate the negatives of the welfare reforms upon Flintshire's residents, local communities, service providers and the local authority'.

The performance of pupils is below the expected levels in some aspects of education whilst standards and prospects for 14 to 19 year olds are good. Significant developments taking place in leisure and play services but risks remain

125 This part of the report sets out how well the Council is improving the way in which it helps people to develop. Overall, we found the performance of pupils is below the expected levels in some aspects of education whilst standards and prospects for 14 to 19 year olds are good. There are significant developments taking place in leisure and play services but risks remain.

126 The Council's improvement objective is 'to secure a modern and high performing range of learning, cultural, play and leisure opportunities for all ages with our schools, colleges and other partners'. The Council assessed its performance for this objective in 2010-11 as good. Most of the sub-objectives were assessed as 'green', meaning that targets had been met or actions completed. The exceptions were for primary school modernisation (amber), secondary school modernisation (red), the Leisure Strategy (amber), and risks to the future viability of the Clwyd Theatr Cymru (amber).

127 In October 2011, Estyn carried out an inspection of local authority services for children and young people, and the summary of their findings is below.

128 Estyn reported that 'elected members have not worked satisfactorily to reorganise secondary schools, reduce surplus places and make better use of resources'. In

December 2011, the Council approved the options for the area reviews of secondary school provision in the Holywell, Queensferry/Connah's Quay and Buckley/Mynydd Isa and Mold areas. The public consultation process, which had been halted in August 2011, is to be reopened in February 2012.

129 The performance of pupils in Flintshire was ranked first in Wales for the proportion achieving five GCSE passes at grades A*-C including English/Welsh and mathematics in 2010 and 2011. However, when contextual information, such as the proportion of pupils entitled to free school meals, is taken into account too many schools perform below expected levels.

Estyn has assessed the performance of pupils as below expectation in some aspects of education

130 Estyn has made the following assessment of the education performance of pupils:

- 'When contextual information is taken into account the performance of pupils in Flintshire, in 2011, is slightly below average in key stage 1 (age 7) and average in key stage 2 (age 11). In key stage 3 (age 14), performance is well below average. At key stage 3, three-quarters of Flintshire secondary schools are below average and one-third are in the bottom quarter for their performance. There have been too many schools in the bottom 25 per cent over the last two years and too few schools in the top 25 per cent. Performance at key stage 4 (age 16) is above average on three of the five measures and below average on the other two.

- The Welsh Government sets expectations for performance based on free-school-meal entitlement. Flintshire has met only one out of nine of these expected benchmarks for the three years to 2010. Benchmark information for 2011 is not yet available.

- Attendance in secondary schools is good. Rates have remained high over the last three years and are the highest in Wales. Attendance in primary schools is above the Wales average although the trend over the last three years shows a decline. There are few permanent exclusions from most schools in Flintshire. However the rate of fixed-term exclusions is too high and these learners miss too many days of school.'

Estyn judged the education services for children and young people and their prospects for improvement as adequate

131 Flintshire was inspected by Estyn, the education and training inspectorate for Wales, in October 2011. Inspectors judged that 'the local authority's education services for children and young people are adequate because:

- Since 2007, performance in Flintshire schools has improved at a similar rate to that of Wales in key stages 1, 2, and 3. In 2011, the percentage of pupils gaining the core subject indicator (CSI – the expected performance in English, or Welsh, mathematics and science in combination) was above the average for Wales. In 2010, performance at key stage 4 improved at a faster rate than that of Wales as a whole on four of the five main indicators.

- There are few permanent exclusions.

- The authority works well with a range of partnerships including the Local Service Board, Youth Offending Team, Children and Young People's Partnership, 14-19 network, and with other neighbouring authorities.

However:

- Overall standards are adequate. In 2011 at key stage 3 three-quarters of Flintshire secondary schools are well below average and one-third are in the bottom quarter for the core subject indicator. There have been too many schools in the bottom 25 per cent over the last two years and too few schools in the top 25 per cent.

- In 2011 performance at key stage 4 declined on three indicators.

- In key stages 1, 2 and 3 the gap in performance between boys and girls is wider than that across Wales.

- The local authority does not perform to expected Welsh Government benchmarks when compared to similar authorities on free school meal rankings in key stage 1 and in key stage 3. It has average performance at key stage 2. At key stage 4, the authority has only met or exceeded its expected benchmarks once in the last three years. This is an important area for improvement.

- There are a range of areas requiring improvement in the primary sector, including declining attendance, behaviour, quality and standards, and financial management.

- Too many schools require some level of follow-up activity after Estyn inspections, including one primary school being placed in significant improvement and another in special measures.

- Elected members have not worked satisfactorily to reorganise secondary schools, reduce surplus places and make better use of resources.

132 Inspectors judged that the local authority has adequate prospects for improvement because:

- standards declined in 2011 on three key stage 4 indicators;

- the pace of securing improvements is often slow;

- it is not clear how the authority will address all the areas for improvement it identifies in its self-evaluation report; and

- elected members have been unwilling to act strategically in the needs and interests of children and young people, particularly with regard to their secondary school modernisation strategy.

However:

- senior officers have recently put new initiatives in place to improve the performance of pupils in receipt of free school meals and vulnerable pupils; and

- the authority is establishing good working relationships with five other authorities in the North Wales regional consortia to establish a regional school effectiveness service.

133 Inspectors recommended that, in order to improve, the authority should:

- Improve standards and performance to reduce the percentage of schools that are in the bottom 25 per cent when compared to similar schools across Wales and reduce the gap in performance between boys and girls.

- Improve the standard and quality of provision in primary schools by:
  – addressing a trend of declining attendance;
  – reducing fixed term exclusions; and
  – reducing school balances and deficits in line with national guidelines.

- Improve how senior officers and all elected members work together to:
  – improve standards for all learners;
  – improve self-evaluation and reporting to members; and
  – reorganise secondary schools, reduce surplus places and make better use of resources.

- Reduce the number of days' education that learners in Flintshire miss due to fixed term exclusions of six days or more in all of its secondary schools.

- Improve the monitoring arrangements for the Children and Young People's Partnership to effectively track the progress of children and young people.

- Prioritise all areas for improvement identified in its self-evaluation of education services.'

In January 2011, Estyn found the current provision for 14 to 19-year-old learners in Flintshire, and the prospects for improvement, were good

134 Estyn carried out an area inspection for Flintshire in January 2011 which examined:

- the quality and availability of a specified description of education or training for persons who are aged 15 or over;

- the standards achieved by those receiving that education or training; and

- whether the financial resources made available to those providing that education and training are managed efficiently and used in a way which provides value for money.

135 Estyn found that the area's current provision of learning for 14 to 19-year-old learners in Flintshire was good because of:

- good attainment of 14 to 19-year-old learners;

- high levels of learner participation, attendance rates, and the high proportion of 16 year olds continuing in education and training or moving on to employment;

- developing collaboration between schools and other sectors to widen the range of courses on offer to learners;

- well-developed partnership working to provide a wide range of non-formal and informal learning activities; and

- good-quality support for learners, targeted to meet specific needs and providing learners with informative advice on the options available to them.

136 The area's prospects for improvement were good because of:

- a strong commitment by partners and stakeholders to partnership working, built on firm foundations through extensive consultation and engagement;

- a clear understanding of the challenges that lie ahead and a strong commitment to changing the current pattern of provision at post-16;

- a good track record in developing collaboration between providers and sectors;

- well-developed quality assurance procedures, resulting in a clear and accurate understanding of current performance and areas in need of improvement; and

- the way self-evaluation processes inform improvement planning.

137 Inspectors recommended that, in order to improve, the local authority and providers of education and training need to work together to:

- rationalise provision for 16 to 19-year-old learners to eradicate unnecessary small classes and duplication;

- secure further improvements in the attainment of learners in schools at key stage 4 and especially post-16;

- continue to extend post-16 Welsh-medium provision in Deeside College and North Wales Training, and increase participation levels, so that more learners continue with Welsh-medium learning and assessment at post-16;

- extend across all providers the good practice in the quality assurance of collaborative provision; and

- develop further the way the network centrally collates and uses data and other information to inform strategic planning and to facilitate the evaluation of impact and progress.

Significant developments are taking place in aspects of play, leisure, and culture, but some risks remain

138 There is good progress in improving leisure facilities but financial risks remain. The Council's Partnering Agreement with Alliance Leisure Services Ltd (a private sector provider of leisure services) is leading to significant improvement in the quality of leisure facilities in the county. The cost of the improvement is funded through the increases in income from increased usage of the leisure centres. The Council and its partner have worked well to deliver the improvements in leisure facilities, and there is increased usage at Deeside Leisure Centre, where most improvement work has been completed.

139 The Council's mid 2011-12 performance report notes that there is a projected in-year Leisure Services overspend of £180,000. Overall usage of the leisure centres (excluding the renewed indoor facilities at Deeside Leisure Centre) had reduced. At three centres, the Council reduced reception staffing to achieve savings. This meant users have to pre-book and these centres have since seen a larger-than-average reduction in usage. The Council has assessed that there is now a new strategic risk for 'leisure – revenue funding' which is rated as 'red'.

140 The 'Sport Flintshire Team' at the Council has been recognised as being the best team of its kind in Wales – and the fourth best in the UK in the summer/autumn 2011. The team delivers sports and active recreation activities and opportunities. This excellent achievement has been attained through the Quest accreditation scheme – the industry standard for sport and leisure across both the public and private sectors.

141 The Council and other partners have been awarded Big Lottery grant funding for the NEW Play project. The project will be delivering peripatetic play provision across Flintshire, Wrexham and Denbighshire, targeting 15 play deprived communities over a fixed three-year period.

142 The Council's *Play Strategy* was approved in July 2011, but elements of the strategy are not adequately funded. The Council has reported that the long-term viability and sustainability of the Play Unit's current service provision is at risk, both in terms of fixed play equipment and community play work. The annual repair and maintenance budget for play areas is insufficient for the long-term sustainability of the sites. Match-funding arrangements for 2011-12 have been agreed with a number of town and community councils to fund refurbishment of 18 play areas. However, this is a small proportion of the total 178 sites. The possible ending of Welsh Government Cymorth funding in March 2012 will have severe implications regarding the delivery of future community play work.

143 During 2010-11, the Council approved a report on the Clwyd Theatr Cymru, together with updated governance arrangements for the theatre and business plan for 2011-12. The Council-owned theatre receives approximately £1 million funding per year from the Council, and funding from the Arts Council Wales. Significant development work is required to maintain the theatre building and, as a result of this, a new strategic risk entry for the Council's risk register was agreed. The risk is rated as 'amber'. A feasibility study for the development of the theatre is to be carried out.

The Council is addressing challenges and delivering improvements to help create and maintain a safe, prosperous and pleasant county

144 This part of the report sets out how well the Council is improving the way in which it creates and maintains the area as a safe, prosperous and pleasant place. The Council's objectives are:

- to make our communities safe and to safeguard the vulnerable, with children and older people being priority groups;

- to protect and grow the local and regional economy, to be a prosperous county and to provide help and support for those vulnerable to poverty; and

- to protect, plan and develop sustainable natural and built environments.

The Council is making good progress in helping make communities safe

145 The Council assessed its progress in making communities safe as 'good'.

146 Reasonable progress is being made in most aspects of the Public Protection Service and in 2010-11 the Council inspected all high-risk businesses that were due for a programmed inspection. This included all four categories of inspection – trading standards, food hygiene, animal health and health and safety.

147 The Council's mid 2011-12 performance monitoring report suggests the Council is on track in 2011-12 to meet most targets, except for health and safety inspections. The lower performance for health and safety inspections is reported as due to the need to undertake reactive work and because vacant posts within the service have reduced the number of officers available to undertake the work. The Council has been active in taking prosecutions where necessary and has made successful prosecutions in relation to trading standards, animal health and noise nuisance offences.

148 The Council's Community Safety Partnership has recently worked with Wrexham's Community Safety Partnership to develop the first joint Flintshire and Wrexham *Community Safety Partnership Plan 2011-14*. This sets out the strategic community safety priorities for both areas, and reflects the views of residents in the communities.

149 The Council and its partners have been working together to align the planning cycles for each organisation on community safety matters. This helps to target resources more efficiently and to address shared priorities.

150 Generally, crime and anti-social behaviour is reducing in Flintshire. However, residents remain concerned about crime, anti-social behaviour and substance misuse. The Council has also had a leading role in the development of a regional Safer Communities Board, which will take a key role in developing regional community safety policy and strategy.

The Council is playing a positive and effective role in work to develop the local and regional economy

151 The Council has assessed its progress in 2010-11 in promoting the economy as good.

152 The county has a strategically important position in the economy for Wales and the north-west of England and the Council is actively engaged with economic development partners. It is a respected partner, and has been able to play a leading role in helping Welsh and UK Government engagement with the business community in the area.

153 The Executive Board and senior officers have shown a high level of engagement and commitment to the objective of developing the local and regional economy. This engagement has contributed to the decision that there should be a new enterprise zone, the Deeside Growth Zone, focused on advanced manufacturing from April 2012. The Council will work with partners to set out a programme

to secure investment and jobs in the area. The Council has played a leading role in the Flintshire Regeneration Partnership and in the successful *Flintshire Business Week* events.

154 Town plans are being developed for each town in the county and the *Rural Development Plan* is also guiding projects in rural areas. Town plans for Buckley and Shotton/Connah's Quay have been completed.

155 The economic downturn is having an impact on the county with rising unemployment amongst 18 to 24 year olds. However, major investments, such as the planned £350 million Airbus North Factory, will continue to bring employment to the area.

The Council is making good progress in service changes to improve its services to protect the environment

156 The Council assessed its performance in its objective 'to protect, plan and develop sustainable natural and built environments as good'.

157 After a review of services, the Council has developed an integrated 'Streetscene' service which is a joined-up approach bringing together a number of services that are important in maintaining the local environment. This initiative has the potential to deliver a much improved, customer-facing service. In September 2011, a ballot of trade unions' members rejected proposals for operation of the service, and discussions are being held to resolve matters. The Council plans that the new service will go 'live' in early 2012 and this will be supported by a new customer contact centre.

158 Data for 2010-11 suggests that the Council's performance was poor for the percentage of municipal waste recycled, good for the percentage of waste prepared for reuse, and close to average for other measures. The Council has introduced changes to its domestic waste collection arrangements, which are intended to improve the efficiency and effectiveness of the service. There have been some initial problems with ensuring that residents understand and accept the new service. It is too early to assess the impact of the changes on the levels of recycling and other indicators of the effectiveness of the service.

159 The Council continues to lead the North Wales Residual Waste Treatment Project and to pursue long-term solutions to waste management.

160 The Council has adopted its Unitary Development Plan and will shortly start work on the Local Development Plan after obtaining approval from the Welsh Government for its delivery programme.

The Council is continuing to develop its performance monitoring arrangements but weaknesses remain in outcome measures, reliability of information and in some aspects of reporting and evaluation

161 This section considers how well the Council is evaluating and reporting on its performance and its arrangements to deliver improvement. We found that the Council is continuing to develop its performance monitoring arrangements but weaknesses remain in outcome measures, reliability of information and in some aspects of reporting and evaluation.

The lack of outcome based success measures for some objectives and weaknesses in data reliability weaken the Council's performance management arrangements

The Council is making progress in developing its arrangements for self-assessment and reporting on its improvement objectives but weaknesses remain

162 Councils in Wales are required to undertake self-assessments through a number of specific reports in addition to the ongoing process of performance monitoring and management. Specific self-assessments include:

- the publication of an annual report on performance under the Measure;

- the annual report of the Director of Social Services;

- the review of governance that contributes to the *Annual Governance Statement*; and

- self-evaluations required for regulatory inspections such as Estyn.

163 The Council approved its *Annual Performance Report* on 26 October 2011 and published it on its website in late November 2011. The report:

- includes an assessment of performance under the 10 improvement objectives for 2011-12 and show how these relate to the 40 priorities for 2010-11;

- shows how the Council is discharging its general duty to make arrangements to secure continuous improvement;

- makes reference to national and local performance indicators and uses a wider set of information to make its assessment; and

- includes comparative information with previous years and other Welsh authorities.

164 The Auditor General has determined that through the *Annual Performance Report* the Council has discharged all of its duties in relation to publishing improvement information under the Measure, except the requirement to publish the report by 31 October. However, the Council should do more to follow Welsh Government guidance, specifically in:

- providing a more consistent use of comparative information – whilst comparative ranking is given for all NSI and core indicators where the Council is ranked in the top and bottom three performers, in the sections on the improvement objectives comparative information is more likely to be given where the Council performs well than for other indicators;

- providing information about how it has considered whether to collaborate and whether collaboration has achieved its intended outcomes; and

- providing clearer information about the steps the Council will take in the light of its assessment.

165 The Council had not developed clear measures of success or a reporting framework for many of the priorities adopted in 2010 (these priorities and the subsequent objectives agreed for 2011-12 are set out in Appendix 4). Consequently, the *Annual Performance Report* has used the 2011-12 improvement objectives in the report whilst indicating which of the 2010-11 priorities these apply to. The Council has used relevant information on actions, indicators and risks to support its assessment of performance, but these are not all outcome measures.

166 The *Annual Performance Report* is long and some sections are not easy to follow. It has also been affected by the changes to the Council's priorities and sub-priorities.

167 The Council has developed a new reporting approach based on the 2011-12 improvement priorities. This will provide a clearer framework for considering and reporting the Council's progress against its improvement objectives. To support this, the Council needs to complete current work to ensure that the intended outcomes, not just actions, are clear for each objective and that the accountability arrangements are also clear.

168 In addition to regular performance management arrangements the Council undertakes specific self-evaluations as part of the preparation of the annual governance statements, for its Annual Performance Review, and other specific service areas including lifelong learning and social services. The Estyn area inspection of provision for 14 to 19 year olds (see paragraphs 134-137) found that 'the way self-evaluation processes inform improvement planning' was a strength that contributed to the good prospects for improvement. The engagement of councillors in these arrangements varies: some councillors were involved in the development and approval of the Director of Social Services report for 2010-11; however, whilst the Executive Member for Education was consulted about the self-evaluation prepared for the Estyn inspection of education services, it was not formally approved by the Executive Board or considered by the relevant scrutiny committee.

169 Overall, we found that self-assessment is becoming an established part of the way the Council operates and we commend this. The Council has also played a significant role in supporting self-assessment of partnership bodies. The process of self-assessment is developing but will be improved when outcome-based success measures for all objectives are clear.

Performance monitoring and management arrangements are established but could be streamlined

170 The Council has an established framework for reporting performance information. This includes:

- an agreed set of key improvement targets;

- an outcome agreement with the Welsh Government;

- the Council's improvement objectives;

- its Strategic Assessment of Risks and Challenges process, setting out 48 significant risks for community leadership, council delivery and council governance;

- directorate and departmental plans and targets; and

- resources management information, including sickness absence, HR, financial and assets information.

171 Quarterly reports are presented to overview and scrutiny committees covering these areas and providing a management assessment. These reports are lengthy.

172 Separate shorter 'exception' reports are presented to the Executive Board. The exception reports focus on areas where performance is below expected levels against improvement targets, together with an update on the strategic assessment of risks and challenges register. Executive members also have access to the reports that go to scrutiny committees. From January 2012, the Council has introduced the new additional reporting on progress on its improvement objectives. These reports are presented to the Corporate Resources Overview and Scrutiny Committee and the Executive Board.

173 Councillors told us that the quality of information reports has generally improved. But we found that:

- the quarterly performance reports for scrutiny were overlong, time-consuming to prepare, and took up to 12 weeks to be presented;

- the arrangements resulted in officers being held to account rather than the Executive Board; and

- there were some inconsistencies and weaknesses in the data and information reported (see below).

174 The development of a revised reporting framework focused on the Council's improvement objectives provides an opportunity to streamline the reporting arrangements with a view to improving timeliness, consistency and focus.

Weaknesses were identified in the accuracy of some performance data

175 We found councillors did not always trust the information in performance reports and that weaknesses existed that questioned the reliability of performance data. These included:

- Our audit of the data for the NSIs for 2010-11 identified 6 out of 24 indicators that were audited needed to be qualified. This represents a quarter of the important national indicator information.

- In July 2011, the Council's Internal Audit service undertook a review of the information for indicators that had been amended or qualified by the Wales Audit Office in 2010. This found significant errors and weaknesses in the same group of indicators in 2010-11 and that, whilst systems of control were adequate, the application of the controls was not. Ten significant recommendations for improvement were made.

- Incorrect data was initially submitted by the Council to the CSSIW to support the Director of Social Services report for 2010-11.

- The reliability of HR data has been affected by inaccuracies in staff information in the electronic HR system.

176 The Council needs to do more to ensure that appropriate controls are applied to ensure that data used and reported is reliable.

Appendices

Appendix 1
Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual Improvement Assessment, and to publish an Annual Improvement Report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges duties under section 19 to issue a report certifying that he has carried out an Improvement Assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual Improvement Assessment is the main piece of work that enables the Auditor General to fulfil his duties. The Improvement Assessment is informed by a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. This report also summarises the Auditor General's conclusions on the Council's self-assessment of its performance.

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

An important ancillary activity for the Wales Audit Office is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2
Useful information about Flintshire and Flintshire County Council

The Council

Flintshire Council spends approximately £312.5 million per year (2011-12). This equates to about £2,087 per resident. In the same year, the Council also spent £28.3 million on capital items.

The average band D council tax in 2010-11 was £1,115 per year. This has increased by 3.18 per cent to £1,151 per year for 2011-12. 68.5 per cent of the dwellings within Flintshire are in council tax bands A to D.

The Council is made up of 70 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 22 Labour
- 19 Alliance
- 9 Conservatives
- 9 New Independent
- 9 Liberal Democrats
- 2 not aligned

The Leader is Councillor Arnold Woolley.

The Chief Executive is Colin Everett, and the directors are:

- Director of Environment – Carl Longland
- Director of Lifelong Learning – Ian Budd
- Director of Community Services – Neil Ayling

Other information

The Assembly Members for Flintshire are:

- Sandy Mewies, Delyn, Labour
- Carl Sargeant, Alyn and Deeside, Labour

Regional Assembly Members are:

- Llyr Huws Gruffydd, Plaid Cymru
- Mark Isherwood, Welsh Conservative Party
- Aled Roberts, Welsh Liberal Democrats
- Antoinette Sandbach, Welsh Conservative Party

The Members of Parliament for Flintshire are:

- David Hanson, Delyn, Labour
- Mark Tami, Alyn Deeside, Labour

For more information see the Council's own website at www.flintshire.gov.uk or contact the Council at Flintshire County Council, County Hall, Mold, Flintshire CH7 6NB. Tel: 01352 752121

Appendix 3
Appointed Auditor's Annual Audit Letter to the Members of Flintshire County Council

The auditor appointed by the Auditor General issued the following auditor's letter on 30 November 2011.

Annual Audit Letter to the Members of Flintshire County Council

As you will be aware the Auditor General for Wales will be issuing an Annual Improvement Report (AIR) to each local authority by the end of January 2012 and some of the issues that were traditionally reported in the Appointed Auditor's Annual Audit Letter will be included in that report. Therefore I have taken the opportunity to summarise the key messages arising from the Appointed Auditor's statutory responsibilities into this short letter which forms the Annual Audit Letter. The letter is designed to be a standalone document, but will also be presented to the Council and the public as part of the Annual Improvement Report and therefore discharges my reporting responsibilities under the Code of Audit Practice.

Flintshire County Council complied with its responsibilities relating to financial reporting and use of resources but there is scope to improve financial controls in a number of areas and the Council needs to further develop its future financial planning to help it meet the significant financial challenges ahead

1   It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;

- maintain proper accounting records;

- prepare a Statement of Accounts in accordance with relevant requirements; and

- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

- provide an audit opinion on the accounting statements;

- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and

- issue a certificate confirming that I have completed the audit of the accounts.

3   On 29 September 2011 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. Whilst my opinion was unqualified, I included an emphasis of matter in my report on the Pension Fund's accounting statements. A number of matters arising from the accounts audit were reported to members in my Audit of Financial Statements reports and further details will be reported in our detailed report in December.

4   From 2010/11 local authorities in Wales are required to produce their accounts on the basis of International Financial Reporting Standards. The introduction of these new standards imposed significant additional demands on the Council's finance staff.

5   The following issues were identified during the audit of the Council's accounts:

- The Council did not correctly apply its accounting policy in valuing its housing stock resulting in material misstatements to the accounts. As a result the net book value of the stock was reduced by £127.766 million.

- The integrity of the financial statements was undermined because a number of the primary statements contained balancing entries.

- There were a number of general presentational issues that related to the quality of the accounts and supporting records.

- Whilst we were satisfied that the Council set aside a reasonable accounting estimate, in its financial statements, to meet the potential liability for equal pay, some of the assumptions used to support the estimate need to be better underpinned by factual data.

6   The following additional issues were identified regarding the Clwyd Pension Fund accounts:

- The auditor's report was modified to draw attention to the nature of private equity investments held by the Fund. As part of its investment portfolio, the fund had year-end holdings in private equity investments totalling £218.314 million. Because of the inherent uncertainty associated with the valuation of such investments, arising from the absence of a liquid market, the fair value of these investments may differ from their realisable values. As the difference could be material I decided to draw attention to the inherent uncertainty.

- Our audit work identified that there are significant delays in the processing of new pensions resulting in delayed payment of lump sum and pension entitlements. As a result, lump sum liabilities contained within the draft financial statements were understated by £1.274 million.

7   My review of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government Measure (2009). The main findings from this latter work will be set out in the Annual Improvement Report. In addition I also bring the following issues to your attention:

- The Council continues to develop its medium-term financial plan, following adoption of its financial strategy, but considerable work is still required to set a balanced budget for 2012-2013 and beyond. In addition, not all pressures have yet been fully factored into the forecasts to establish the extent of the funding gap over the next three years.

- The Flintshire Futures programme has been structured to include a mixture of short, medium and longer term projects. However, the financial benefits have yet to be fully quantified and integrated in the financial planning, thereby establishing the contribution of Flintshire Futures to meet the funding gap in the medium term.

8   I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2011.

9   The financial audit fee for 2010/2011 is currently expected to be in line with those set out in the Annual Audit Outline.

John Herniman
Group Director

For and on behalf of the Appointed Auditor

30 November 2011

Appendix 4
Flintshire Council's improvement objectives and self-assessment

Flintshire Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council's Executive Board agreed the improvement priorities of the Administration in May 2010. These 40 priorities and directorate priorities were grouped under 10 improvement objectives in the Council's *Improvement Plan 2011-12*. The improvement plan can be found on the Council's website at www.flintshire.gov.uk. The improvement objectives and the priorities agreed in 2010 are shown below:

Improvement objectives 2011-12	Priorities agreed May 2010
1 To be a modern, efficient and cost effective public organisation through our four resource strategies – the Medium Term Financial Strategy, the People Strategy, the asset management strategy and the ICT Strategy – whilst ensuring our local taxes and fees and charges are fair and affordable	• To promote and maintain a positive and confident reputation for the Council and the County locally, regionally and nationally. • To continue to make progressive change in the culture, efficiency, effectiveness, adaptability and performance of the organisation both corporately and in service planning and delivery. • To develop and follow a resilient medium and longer term financial strategy whilst maintaining an affordable level of council tax for local taxpayers. • To achieve the aims and objectives of the *People Strategy* with an emphasis on people management practice, management performance, attendance management and agile working. • To implement effective business continuity plans to protect key services. • To maximise the use of the Council's land and asset base for the achievement of Council priorities and to maximise capital receipts or income.
2 To achieve the greatest possible cost efficiencies through regional collaboration to reinvest in local public services	• To cope and prosper in the coming years of reductions in revenue and capital for public services and continue to improve and perform as a public services organisation. • To modernise and improve Council procedures and performance in procurement practice, to meet the aims of the *Opening Doors Policy* of the Welsh Assembly Government for small and medium-sized businesses and to achieve cashable and non-cashable efficiency targets.

Improvement objectives 2011-12	Priorities agreed May 2010
3 To be a modern, caring and flexible employer with fair and equal pay and terms and conditions of employment under a Single Status Agreement	• To achieve a legal, acceptable and affordable Single Status Agreement.
4 To achieve the highest standards of customer service and care through our customer services strategy	• To attain high and consistent levels of customer service, and to develop more flexible personal and remote customer contact services through an ambitious customer services strategy. • To reshape and improve the Street Scene Services.
5 To make our communities safe and to safeguard the vulnerable, with children and older people being priority groups	• To extend the impact of Public Protection Services to safeguard communities and public health. • To achieve a higher level of public confidence in the safety of communities in partnership with North Wales Police and others partners. • To promote citizen responsibility to support the work of the public services e.g. crime prevention, enforcement, community participation and community action. • To safeguard vulnerable adults, older people and children in partnership with statutory agencies and other partners.
6 To protect and grow the local and regional economy, to be a prosperous County and to provide help and support for those vulnerable to poverty	• To reduce extreme poverty, and make the best use of local resources to provided advice and extend benefits take-up, in partnership with others. • To protect, promote and develop the local economy through the transport and communications infrastructure, land and asset use, and the educational system. • To declare the Council's first Neighbourhood Renewal Area (NRA).

Improvement objectives 2011-12	Priorities agreed May 2010
7 To promote independent, healthy and fulfilled living in the community with the highest quality personalised and supportive social and health care services	• To promote independent and supported living in the community through sustainable and affordable domiciliary care, flexible care support packages, integration of services with other partners. • To provide flexible supported living choices including extended extra care housing provision. • To plan to meet the diverse and complex care needs of society including extended provision of dementia services. • To develop a sustainable and affordable policy for Out of County Places. • To work in partnership with the new Betsi Cadwaladr University Health Board to extend and improve access to primary health care, to invest in preventative services and to improve further the integration of health and social care.
8 To meet housing need in the County and to work with partners to ensure a sufficient supply of quality and affordable homes and housing services in the social, mixed tenure and private sector housing markets	• To deliver an affordable housing supply through the affordable housing strategy. • To make a marked and rapid improvement in the quality, flexibility and performance of housing management and repairs and maintenance services and to improve the financial performance of the Housing Revenue Account. • To determine the future of the Council Housing Stock through a tenant ballot and a strategy to achieve the Welsh Housing Quality Standard.

Improvement objectives 2011-12	Priorities agreed May 2010
9 To secure a modern and high performing range of learning, cultural, play and leisure opportunities for all ages with our schools, colleges and other partners	• To develop the School Modernisation Strategy and to achieve, in phases, its aims and objectives whilst securing the highest possible level of 'spend per pupil'. • To achieve the aims and objectives of the School Effectiveness Framework. • To achieve the aims and objectives of the 14-19 transformation strategy and to be effective educational and economic partners with the higher and further education sectors and notably Deeside College and Glyndwr University. • To further develop the foundation phase for pre-school age. • To achieve the objectives of the action plan adopted by the Council in response to the Estyn Inspection of Local Education Services. • To achieve the aims and objectives of the Actif Leisure Strategy. • To agree and fund a scheme to remodel Deeside Leisure Centre • To agree a scheme to remodel Clwyd Theatr Cymru and campaign for national capital funding support.
10 To protect, plan and develop sustainable natural and built environments	• To achieve our waste minimisation and recycling targets through the local and regional strategies, thereby avoiding infraction penalties, with high levels of public support and participation. • to adopt the Unitary Development Plan (UDP) and progress the replacement Local Development Plan (LDP) with urgency. • to further improve the quality, flexibility and performance of planning development control services. • to improve Council enforcement particularly in environmental services, the cleanliness of the 'public realm' and in planning development control. • to agree a strategy with the Welsh Assembly Government to reduce traffic congestion on the A494/A55 interchange and the connecting County road network as a key part of the national and regional transport plans.

Flintshire Council's self-assessment of performance

The Council's self-assessment of its performance can be found in its *Annual Performance Report* 2010-11 which can be found at www.flintshire.gov.uk (search for improvement plan).

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Wales Audit Office Annual Improvement Report 2011

Response to the Recommendations

A: Formal Recommendations

Ref	Recommendation	Response
R1	The Council should report more fully and regularly to the Executive Board on progress in delivering the Human Resources (HR) Strategy and Single Status agreement and ensure capacity and capability are available to achieve intended outcomes and timetables	The Executive has recently received a full review of the People Strategy (note correct title), has re-set the priorities within it and has reviewed the resourcing of the Strategy. Quarterly review reports will be made to the Executive; the progress of the key work-streams within the Strategy will continue to be reported to Overview and Scrutiny within the quarterly performance reports for the HR and OD Division as is current practice The Singles Status project plan, objectives, timelines and decision-making steps and requirements will be reported to both Executive and Overview and Scrutiny in March. The newly elected Council will then be recommended to allocate significant time to building member knowledge, understanding and commitment to reach an Agreement by October 2012 through both formal and informal meetings and briefings
R2	The Council needs to complete its work in quantifying the financial benefits of its programme for efficiencies and organisational change by mid-2012-13 to determine the remaining funding gap (shortfall or surplus) and then establish clear plans to identify further savings or re-direct resources to priorities	This work is in progress through (1) the on-going development of the Medium Term Financial Strategy Plan and (2) the 'stock-take' review of the Flintshire Futures programme for organisational development and change. An interim report will be presented on both in April and the new Council will be invited to review/re-set strategy from June. For priorities see P1 (below) This work under-pins and is reflected in the strategy and the detail of the draft 2012-13 Council Fund Revenue and Capital budgets

B: Proposals for Improvement

Ref	Recommendation	Response
P1	Complete the work in progress to set clear success measures for all improvement objectives and ensure regular, clear reporting	This work is in progress through the review of the Improvement Priorities/Objectives. This review will both meet the recommendation for the current Objectives and grow our capability for performance setting and management for future years. The new Council will need to understand the importance of the work and

1

		invest in skills and systems to maintain it. Importantly the new Council will need to develop consensus on the priorities and their investment needs
P2	Develop and agree a detailed business plan for improving customer access showing how success measures will be achieved and offer value for money	The Customer Services Strategy is adopted and is in the process of implementation. Success and efficiency measures are being developed for each work-stream of the Strategy as they are adopted and implemented (e.g. channel shift, Flintshire Connects). This is an ambitious Strategy and the Council is calculating risks and benefits for each work-stream as they develop. We must take care not to become 'risk averse' and be prepared to take some calculated risks to improve the organisation for customer benefit and to achieve efficiencies
P3	Ensure its Annual Performance Report is published by 31 October in line with statutory requirements and more fully reflects Welsh Government guidance	The first part (publication) is a technical recommendation on process which will be met provided that all information required by the Council to permit a timely publication is available; the second part (more fully meeting the guidance) will be met through the response to P1 (above) although it should be noted that national guidance and support is under development and is awaited (e.g. self-assessment support)
P4	Improve quality assurance arrangements to ensure that data used to support performance management and monitoring is accurate and robust	This is a technical recommendation to improve further our internal arrangements which are currently sound and functioning

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 5

REPORT TO:	**AUDIT COMMITTEE**
DATE :	**26 MARCH 2012**
REPORT BY:	**HEAD OF FINANCE**
SUBJECT :	**ANNUAL FINANCIAL AUDIT OUTLINE 2011/12**

1.00   PURPOSE OF REPORT

1.01   To provide the Audit Committee with the Annual Financial Audit outline for the audit of the Council's accounts for 2011/12 and those of the Clwyd Pension Fund.

2.00   BACKGROUND

2.01   Under the provisions of the Public Audit (Wales) Act 2004 the Auditor General is responsible for appointing external auditors (Appointed Auditors) to local government bodies.

3.00   CONSIDERATIONS

3.01   This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides Flintshire County Council (the Council) with an outline of the financial audit work required for the 2011-12 financial statements. It has been prepared by John Herniman on behalf of the Appointed Auditor.

3.02   The Appointed Auditor is required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council, satisfying himself that the accounts:

- Give a true and fair view of the Council financial position
- Comply with all relevant legislative requirements; and
- Have been prepared in accordance with proper accounting practices.

3.03   The Appointed Auditor is also required to:

- Satisfy himself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.

3.04   The outline for the Flintshire County Council element of the work is attached at Appendix 1.

3.05   The outline for the Clwyd Pension Fund is attached at Appendix 2.

Date: 16/03/2012

3.06 A programme is being agreed with the Wales Audit Office for the annual audit which will commence in July.

3.07 The draft financial statements will be reported to the Audit Committee in July 2012.

3.08 The final audited accounts for Flintshire and the Clwyd Pension Fund will be considered by the Audit Committee for recommendation to Council before the deadline of 30th September 2012.

4.00 RECOMMENDATIONS

4.01 The Audit Committee is requested to note the report.

5.00 FINANCIAL IMPLICATIONS

5.01 The proposed fee for 2011/12 financial audit work is £215,976 (plus VAT). This fee is in line with the Auditor General's fees letter and is based on the zero-based fee model for financial audit.

5.02 Overall, the 2011/12 financial audit fee, on the equivalent element of the Appointed Auditors' responsibilities, has been set at the same level as the 2010/11 fee.

5.03 In addition to the main audit, the Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken in relation to the audit of grants. Grant and return certification work is charged on a daily basis in line with the skill-related fee scales set out in the Auditor General's local government fees letter. Although grant work fluctuates from year to year, it is estimated that the total fee for grant work will be in the range of between £100,000 and £120,000.

5.04 The fees for the Clwyd Pension Fund work are charged directly to the Fund.

6.00 ANTI POVERTY IMPACT

6.01 There are no direct implications in relation to this report.

7.00 ENVIRONMENTAL IMPACT

7.01 There are no direct implications in relation to this report.

8.00 EQUALITIES IMPACT

8.01 There are no direct implications in relation to this report.

9.00 PERSONNEL IMPLICATIONS

9.01 There are no direct implications in relation to this report.

Date: 16/03/2012

10.00 CONSULTATION REQUIRED

10.01   None.

11.00 CONSULTATION UNDERTAKEN

11.01   None.

12.00 APPENDICES

12.01   Appendix 1:   "Financial Audit Outline Flintshire County Council"
        Appendix 2:   "Financial Audit Outline - Clwyd Pension Fund"

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

        As Appendix 1 and 2

Contact Officer: Kerry Feather
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Date: 16/03/2012

Annual Financial Audit Outline

Flintshire County Council

Audit year: 2011-12

Issued: March 2012

Document reference: 219A2012

Status of document

Contents

Annual Financial Audit Outline

Roles and responsibilities

1. This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides Flintshire County Council (the Council) with an outline of the financial audit work required for the 2011-12 financial statements. It has been prepared by John Herniman on behalf of the Appointed Auditor.

2. Under the provisions of the Public Audit (Wales) Act 2004 the Auditor General is responsible for appointing external auditors (Appointed Auditors) to local government bodies.

3. As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council, satisfying myself that the accounts:

    *   give a true and fair view of the Council financial position;
    *   comply with all relevant legislative requirements; and
    *   have been prepared in accordance with proper accounting practices.

4. I am also required to:

    *   satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
    *   certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.

5. The audit does not relieve the Council of its responsibility to:

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

6. The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council financial statements, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts.

7. The key requirements of the Auditor General and the Appointed Auditor are set out in Appendix 1.

8. A separate document, *the Auditor General's Regulatory Programme for Performance Audit*, will be issued setting out the work to be delivered by the Auditor General.

9. A separate Annual Financial Audit Outline for the audit of the 2011-12 accounts of the Clwyd Pension Fund will be issued.

10. The Auditor General is required to certify certain grant claims and returns. The Appointed Auditor, acting as an agent of the Auditor General, undertakes the audit work relating to those claims and returns.

The audit approach

The audit team

11. Information regarding the financial audit team is provided in Appendix 2.

Audit of financial statements

12. Internal controls are designed, implemented and maintained by the Council to address identified business risks that threaten the achievement of an audited body's objectives regarding:

- the reliability of its financial reporting;
- the effectiveness and efficiency of its operations; and
- its compliance with applicable laws and regulations.

13. I will:

- assess the effectiveness of high-level internal controls and key system-level internal controls in preventing and detecting material errors in the accounting statements;
- assess the effectiveness of Internal Audit;
- review and seek to place reliance upon work undertaken by Internal Audit, as appropriate; and
- develop substantive procedures to respond to specific risks of material misstatement in the accounting statements.

14. I do not seek to obtain absolute assurance that the financial statements and related notes are true and fair, but adopt the concept of materiality. In planning and conducting the audit, I seek to identify material misstatements in the accounting statements and related notes, that is, those that might result in a reader of the accounts being misled.

15. The levels at which I judge such misstatements to be material will be reported in my report to the Audit Committee prior to completion of the audit.

Risks of material misstatement in the accounting statements

16. Exhibit 1 provides information regarding the main operational and financial risks faced by the Council that could impact on my audit. These are the main risks that have been identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. Changes to the audit may be required if any new risks emerge. No changes will be made without first discussing them with officers and, where relevant, those charged with governance.

Exhibit 1: Summary of main audit risks and proposed responses

Risks	Action proposed
Control environment risks	
Overall • Risk that financial management and governance controls are insufficient, or are not operating as intended. In particular, the Council is facing continued significant financial pressures, including funding cuts and the wider difficult economic climate.	• We will assess the robustness of the Council's arrangements for: – ensuring effective financial management; and – providing internal audit coverage which meets the professional standards set by CIPFA.
Financial systems risks	
Overall • Risk that the Council's high level financial controls are not designed or operating effectively to prevent and detect material misstatements in the financial statements.	• We will review the design and test the operation of high level controls in the: – main accounting system; – budgetary control system; and – the accounts preparation process.
Issues arising from my previous audits There are a number of issues arising from my previous audits where improvements were required to systems controls. In particular, the need to: – ensure that the valuation of Council dwellings is soundly based; – clear the remaining balancing entries contained within the financial statements; and – ensure that a balanced cashflow statement is prepared as part of the 2011-12 financial statements.	• We will: – assess the controls in place during 2011-12 and conduct audit testing to consider their design, existence and maintenance; and – conduct follow-up work in respect of recommendations arising from our previous audits.

Risks	Action proposed
Preparation of the accounts risks	
International Financial Reporting Standards (IFRS) and the Code of Practice for Local Authority Accounting • Risk that the continued preparation of IFRS compliant accounts (now in its second year) may be incorrectly completed. • Risk that changes to the financial statements to comply with 2011-12 Code of Practice on Local Authority Accounting (the Code) may be incorrectly completed.	• Review the draft Statement of Accounts for 2011-12 to ensure that it has been prepared, in all material respects, in accordance with IFRS and the Code.
Financial statements risks	
Overall • Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure.	• Final accounts testing based on work undertaken during the year and review of the draft financial statements.
Single Status and Equal Pay • Risk that insufficient accounting provision is set aside for the liabilities associated with single status and equal pay issues.	• Review the level of accounting provision to ensure that the accounting estimate is reasonable.

Use of resources

17. To discharge my responsibilities regarding the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources, I shall place reliance upon:

- the results of the audit work undertaken on the financial statements;
- the audited body's system of internal control, as reported in its Governance Statement and my report thereon;
- the results of work carried out by the Auditor General, including work carried out under the Local Government (Wales) Measure 2009, certification of claims and returns, and data matching exercises;
- the results of the work of other external review bodies where relevant to our responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

Reporting

18. The Code of Audit Practice issued by the Auditor General requires Appointed Auditors to comply with relevant auditing and ethical standards, which require formal reporting at various stages during the audit to those charged with governance.

19. In particular, auditors must report:

- relationships that may bear on the auditor's independence;
- audit planning information; and
- certain matters to those charged with governance (as distinct from management) before they give an opinion on the financial statements.

20. Appendix 1 highlights the key elements of the audit engagement at the Council, and confirms that there are no known threats to the independence of the Appointed Auditor or other audit staff.

21. This document provides information regarding the planning of the audit.

22. I will submit reports to the Audit Committee and where necessary to the Executive/ Council in a timely manner, prior to the completion of audit.

23. I will provide reports, or other output as agreed. The key milestones are set out in Exhibit 2.

Exhibit 2: Key milestones

Planned output	Planned start date	Report finalised
Annual Financial Audit Outline	January 2012	March 2012
Annual Assessment of Internal Audit	March 2012	June 2012
Audit of Financial Statements (ISA 260) Report	August 2012	September 2012
Audit and issue of opinion on the 2011-12 Financial Statements	July 2012	September 2012
Annual Audit Letter	October 2012	November 2012

Audit fee

24. The proposed fee for 2011-12 financial audit work is £215,976 (plus VAT) and will be charged in equal instalments between November 2011 and October 2012. This fee is in line with the Auditor General's fees letter and is based on the zero-based fee model for financial audit.

25. Overall, the 2011-12 financial audit fee, on the equivalent element of the Appointed Auditors' responsibilities, has been set at the same level as the 2010-11 fee. The fee quoted assumes working papers supporting the financial statements are complete, available on timely basis and prepared to a good standard. It also assumes appropriate staff being available during the audit.

26. In previous years, there have been no formal objections to the Council's financial statements. However, I do receive a number of queries and items of correspondence from members of the public and other interested parties. A small amount of time has been included within the fee to deal with minor queries, as part of the overall management of the audit.

27. Any detailed investigations or other work required to respond to queries and objections will result in an additional fee. Any such additional fee will be charged at daily rates based on the specific grade or skill mix required for the work, but will be discussed with the Council, prior to undertaking the work.

28. The Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken. Grant and return certification work is charged on a daily basis in line with the skill-related fee scales set out in the Auditor General's local government fees letter. The fees will reflect the size, complexity and particular issues relating to the specific grants.

29. Although grant work fluctuates from year to year, based on past experience and initial indications of changes in grant schemes and conditions, I estimate that the total fee for grant work will be in the range of between £100,000 and £135,000.

Appendix 1

Key elements of the audit engagement

Key elements	Requirements	Position at the Council
Engagement activities		
Terms of the audit engagement	The Public Audit (Wales) Act 2004 sets out responsibility for appointment of local government external auditors in Wales.	Roles and responsibilities of Appointed Auditors are outlined above and in Appendix 1. The full statement of responsibilities can be found at: http://www.wao.gov.uk/assets/english documents/statement_of_responsiblit ies_of_auditors_eng.pdf
Appointment of auditors and engagement leads	It is the Auditor General's responsibility to appoint local government external auditors and to assign responsibility for each engagement to an engagement lead.	Details of the Appointed Auditor and the Engagement Lead are provided in Appendix 2 of this document.
'Non-statutory' work	The Auditor General has set out clear criteria for approval of any 'non-statutory' work requested by audited bodies.	No 'non-statutory' work has been requested or is proposed.
Limitations on audit work	I am required to advise you of any limitations on the work that I propose to undertake, including limitations imposed by management.	No limitations have been placed on the work that I propose to undertake.
Ethical considerations		
Independence	Appointed Auditors are required to consider the following: • threats to auditor independence (including litigation); • family and other personal relationships; • long association with the audited body, based on the Wales Audit Office rotation of audits policy; and • contentious or difficult issues.	I can confirm that there are no known threats to the independence of the Appointed Auditor or the financial audit team, as set out in Appendix 2, and I have complied with the Wales Audit Office rotation policy. In instances where other audit staff have relations with the Council mitigating arrangements will be put in place to ensure independence is maintained.
Engagement performance	Engagement leads need to consider what level of quality assurance and review levels are appropriate.	Wales Audit Office quality control review mechanisms are in place for all audits, and the Engagement Lead has established appropriate review levels based on the experience of the staff undertaking the audit work.

Appendix 2

Financial audit team

The Appointed Auditor is Anthony Barrett, the audit team are:

Name	Role	Contact number	E-mail address
John Herniman	Financial Audit Engagement Lead	029 2032 0566	john.herniman@wao.gov.uk
Amanda Hughes	Audit Manager	07969 919986	amanda.hughes@wao.gov.uk
Ron Parker	Financial Audit Team Leader	01244 525970	ron.parker@wao.gov.uk
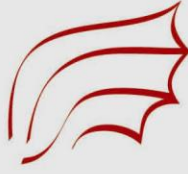
WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Financial Audit Outline

Clwyd Pension Fund

Audit year: 2011-12

Issued: March 2012

Document reference: 223A2012

Status of document

This document was produced by John Herniman & Phil Pugh.

Contents

Annual Financial Audit Outline

Roles and responsibilities

1. Flintshire County Council (the Council) is the administering authority of the Clwyd Pension Fund (the Pension Fund). This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the 2011-12 Pension Fund accounts.

2. Since 1 April 2005, under the Public Audit (Wales) Act 2004 the Auditor General's functions have included the appointment of external auditors (appointed auditors) for local government bodies.

3. As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the Pension Fund accounts, satisfying myself that the accounts:

   • give a true and fair view of the financial transactions of the Pension Fund during the year and the amount and disposition of the fund's assets and liabilities;

   • comply with all relevant legislative requirements; and

   • have been prepared in accordance with proper accounting practices.

4. I am also required to:

   • satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and

   • certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.

5. The audit does not relieve the Pension Fund of its responsibility to:

   • put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;

   • maintain proper accounting records;

   • prepare accounts in accordance with relevant requirements; and

   • establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

6. The key requirements of the Auditor General and the Appointed Auditor are set out in Appendix 1.

The audit approach

7. Information regarding the financial audit team is provided in Appendix 2.

Audit of Pension Fund accounts

8. Internal controls are designed, implemented and maintained to address identified business risks that threaten the achievement of an audited body's objectives regarding:

- the reliability of its financial reporting;
- the effectiveness and efficiency of its operations; and
- its compliance with applicable laws and regulations.

9. I will:

- assess the effectiveness of high-level internal controls and key system-level internal controls in preventing and detecting material errors in the accounting statements;
- assess the effectiveness of Internal Audit;
- review and seek to place reliance upon work undertaken by Internal Audit, as appropriate; and
- develop substantive procedures to respond to specific risks of material misstatement in the Pension Fund accounts.

10. I do not seek to obtain absolute assurance that the Pension Fund accounts and related notes are true and fair, but adopt a concept of materiality. In planning and conducting the audit, I seek to identify material misstatements in the Pension Fund accounts and related notes, that is, those that might result in a reader of the accounts being misled.

11. The levels at which I judge such misstatements to be material will be reported in my report to those charged with governance for the Council as a whole (the Audit Committee) prior to completion of the audit.

Risks of material misstatement in the Pension Fund accounts

12. Exhibit 1 provides information regarding the main operational and financial risks faced by the Fund that could impact on my audit. These are the main risks that have been identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. Changes to the audit may be required if any new risks emerge. No changes will be made without first discussing them with officers and, where relevant, those charged with governance.

Exhibit 1: Summary of main audit risks and proposed responses

Risks	Action proposed
Control environment risks	
Financial pressures arising from the current economic climate present risks to the Council in managing its overall financial position. The Hutton Report was issued in March 2011 and this has wide-ranging recommendations for all of local government pension funds. This creates uncertainties around the future nature of the fund and member contribution rates.	We will monitor these ongoing developments.
There is a continuing requirement to include a governance statement (that will cover the Pension Fund's governance arrangements) and a risk that the Council will not have the systems in place to produce such a statement or may not comply with all areas of good practice for Local Government Pension Schemes.	We will undertake a detailed review of the governance statement and carry out substantive testing of content and accuracy against audit expectations. We will also critically review the governance arrangements in place and compare these to the *Principles for Investment Decision Making in Local Government Pension Schemes* as outlined by the CIPFA Pensions Panel.
Financial systems / preparation of accounts risks	
There is currently a function review for the whole of the finance section, which includes the pension section. Delays in being able to implement the finding of the review have affected staff resourcing in pensions, administration and funds. Our initial IT planning work has also identified potential concerns regarding staff resources due to the planned absence of the systems administrator, the vacant technical systems administrator post and other vacancies that have occurred as a result of recent promotions.	We will review interim arrangements put in place to support the service delivery and support of the pension fund function.
Financial statements risks	
The bulk transfer from the fund relating to the establishment of the All Wales Probabtion Trust is likely to be a material transfer from the fund.	We will discuss progress on the bulk transfer and review the estimate of the value of the transfer against what is proposed by the actuaries for the All Wales Probation Trust.

Risks	Action proposed
As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments (£213.304 million in 2010/11). These are accounted for at fair value determined by valuations provided by fund managers.	We will assess the value of private equity investments and whether the information provided adequately supports the year-end valuation.
External investment managers are appointed to manage the investment portfolio. Their own systems and records will generate account entries made to the Pension Fund account and net assets statement.	We will obtain direct confirmation from the fund managers of year-end investment balances, and consider whether investment managers' internal control reports indicate specific risks to these balances.

Reporting

13. The Code of Audit Practice issued by the Auditor General requires appointed auditors to comply with auditing and ethical standards. International Standards on Auditing (ISA) require formal reporting at various stages during the audit to those charged with governance.

14. In particular, auditors must report:

- relationships that may bear on the auditor's independence;

- audit planning information; and

- certain matters to those charged with governance (as distinct from management) before they give an opinion on the financial statements.

15. Appendix 1 highlights the key elements of the audit engagement at Flintshire County Council, and confirms that there are no known threats to the independence of the Appointed Auditor or other audit staff.

16. This document provides information regarding the planning of the audit.

17. I will submit reports to the Audit Committee and, where necessary, to the Cabinet/Council in a timely manner, prior to the completion of the audit.

18. I will provide reports, or other output as agreed. The key milestones are set out in Exhibit 2.

Exhibit 2: key milestones

Planned output	Planned start date	Report finalised
Annual Financial Audit Outline	March 2012	March 2012
Audit of Financial Statements (ISA 260) Report	July 2012	September 2012
Audit Opinion on the 2011-12 Financial Statements	September 2012	September 2012

Audit fee

19. The proposed fee for 2011-12 financial audit work is £35,000 (plus VAT) and will be charged in equal instalments between November 2011 and October 2012. This fee is in line with the Auditor General's fees letter and is based on the zero-based fee model for financial audit.

20. The 2011-12 financial audit fee has therefore not changed from my 2010-11 fee, £35,000.

Other matters

Pension Fund annual report

21. In addition to including the Pension Fund accounts in their main Statement of Accounts, administering authorities are required to publish a Pension Fund annual report which must include the Pension Fund accounts.

22. I am required:

- to read the Pension Fund annual report and consider whether the information it contains is consistent with the Pension Fund accounts; and

- to issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts included in the administering authority's Statement of Accounts.

Appendix 1

Key elements of the audit engagement

Key elements	Requirements	Position at the [xx Pension Fund]
Engagement activities		
Terms of the audit engagement	The Public Audit (Wales) Act 2004 sets out responsibility for appointment of local government external auditors in Wales.	Roles and responsibilities of appointed auditors are outlined above. The full statement of responsibilities can be found at: http://www.wao.gov.uk/assets/english documents/statement_of_responsiblit ies_of_auditors_eng.pdf
Appointment of auditors and engagement leads	It is the Auditor General's responsibility to appoint local government external auditors and to assign responsibility for each engagement to an Engagement Lead.	Details of the Appointed Auditor and the Engagement Lead are provided in Appendix 2 of this document.
'Non-statutory' work	The Auditor General has set out clear criteria for approval of any 'non-statutory' work requested by audited bodies.	No 'non-statutory' work has been requested or is proposed.
Limitations on audit work	I am required to advise you of any limitations on the work that I propose to undertake, including limitations imposed by management.	No limitations have been placed on the work that I propose to undertake.
Ethical considerations		
Independence	Appointed auditors are required to consider the following: • threats to auditor independence (including litigation); • family and other personal relationships; • long association with the audited body, based on the Wales Audit Office rotation of audits policy; and • contentious or difficult issues.	I can confirm that there are no known threats to the independence of the Appointed Auditor or other audit staff and I have complied with the Wales Audit Office rotation policy.

Key elements	Requirements	Position at the [xx Pension Fund]
Engagement performance	Engagement leads need to consider what level of quality assurance and review levels are appropriate.	Wales Audit Office quality control review mechanisms are in place for all audits, and the Engagement Lead has established appropriate review levels based on the experience of the staff undertaking the audit work.

Appendix 2

Financial audit team

Anthony Barrett is the appointed auditor, the team responsible for your audit will be:

Name	Role	Contact number	E-mail address
John Herniman	Engagement Lead	02920 320566	John.Herniman@wao.gov.uk
Phil Pugh	Audit Manager	01352 702185	Phil.Pugh@wao.gov.uk
Ron Parker	Financial Audit Team Leader	01352 702185	Ron.Parker@wao.gov.uk

WALES AUDIT OFFICE

SWYDDFA ARCHWILIO CYMRU

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 6

REPORT TO: **AUDIT COMMITTEE**

DATE : **26 MARCH 2012**

REPORT BY: **DEMOCRACY AND GOVERNANCE MANAGER AND HEAD OF FINANCE**

SUBJECT : **DRAFT STATUTORY GUIDANCE ON LOCAL GOVERNMENT (WALES) MEASURE 2011 AND REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE**

1.00   **PURPOSE OF REPORT**

1.01   To consider the draft statutory guidance on the Local Government (Wales) Measure 2011 in so far as it relates to the audit committee, to review audit committee terms of reference and to prepare for implementation of the new arrangements for audit committees.

2.00   **BACKGROUND**

2.01   A Measure is a piece of law made by the Welsh Government which has similar effect to an Act of Parliament. The Local Government (Wales) Measure 2011 contains a chapter dealing with audit committees. The Measure received Royal Assent on 10 May 2011. Whilst some parts of the Measure have come into effect, the chapter dealing with audit committees has not as yet come into effect.

2.02   Prior to the coming into effect of the chapter relating to Audit Committees (and other parts of the Measure) the Welsh Government has always intended to issue statutory guidance on those provisions. Draft statutory guidance was issued on the 3 February 2012 for the purposes of consultation. Responses to the consultation are required by the 30 March 2012. It is understood that it is the intention of the Welsh Government to then issue the final version of the guidance and bring the chapter dealing with audit committees into effect in April 2012 so that the provisions are in force prior to the May elections.

2.03   Sections 81 to 87 of the Local Government (Wales) Measure relate to audit committees. A copy of these provisions is attached as appendix 1 to this report. Pages 43 to 47 of the draft statutory guidance concern the provisions in the Measure concerning audit committees. A copy of this draft statutory guidance is attached as appendix 2.

2.04   Section 81 of the Measure places a legal duty on unitary authorities to appoint an audit committee to perform the functions listed under paragraph (a) to (f) of section 81 (1). Whilst Flintshire does comply with the requirement to have an audit committee, its present terms of reference do not cover all of the provisions in paragraphs (a) to (f). A copy of the present terms of reference are attached as

appendix 3. The present terms of reference do not include corporate governance or scrutinising the Council's financial affairs.

2.05   Irrespective of the Local Government Measure, the current terms of reference require minor updating in section C financial reporting to reflect changes to reporting for the draft statement of accounts to go to audit committee and then following consideration by WAO to be considered again and referred by audit committee to Council for approval. This will be required by June 2012.

2.06   Section 81 of the Measure requires each County or County Borough Council to appoint an audit committee with the following functions:-

- Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs.

- Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.

- Oversee the authority's audit arrangements and review its financial statements.

2.07   Section 82 of the Measure concerns the membership of the audit committee, which requires:-

- That at least that one member of the committee is a lay member.
- That no more than a third of the committee's membership is made up of lay members.
- That no more than one member of the committee is a member of the Executive.
- That the Leader is not a member of the audit committee.

2.08   Section 83 requires the audit committee to appoint its own chair. The chair must not be a member of a group that has members on the Council's Executive (except in the unlikely event of there being no opposition groups on the Council). Section 83 also gives audit committees powers that overview & scrutiny committees have to require members and officers of the authority to attend before it to answer questions.

2.09   Section 84 of the Measure requires that the audit committee meet at least once in every calendar year. It must also meet if the local authority resolves that the committee should meet or if at least the third of the members of the committee requisition a meeting be held.

2.10   Section 85 of the Measure states that Welsh Ministers may give guidance about the functions of audit committees and about the membership of audit committees which Flintshire and its audit committee must have regard to. This is the statutory basis for the draft guidance that has been issued for consultation purposes on the 3 February 2012 and is attached as appendix 2 to this report.

Date: 16/03/2012

2.11   Paragraphs 9.1 to 9.8 of this draft guidance basically repeat the provisions that are in the Measure itself. The draft guidance goes onto consider the functions of an audit committee. It endorses two documents issued by CIPFA which it advises authorities to view as complimentary to the draft guidance. Paragraphs 9.11 to 9.23 of the draft guidance relate to the functions of the audit committee as listed in paragraph (a) to (f) of section 81 (1) of the Measure. Paragraphs 9.24 to 9.28 of the draft guidance concern the membership of the audit committee.

3.00   CONSIDERATIONS

3.01   A response to the consultation on the draft statutory guidance will be sent by the 30 March 2012 under officers delegated powers following consideration by the audit committee of the guidance relating to audit committees, consideration by the overview & scrutiny coordinating committee on the guidance relating to overview & scrutiny and following consideration by the constitution committee of all of the draft guidance.

3.02   The first consideration in relation to the audit committee is the proposed timeline for implementation of the new arrangements. The issuing of the draft guidance has been delayed and it may be considered unrealistic to now expect the new arrangements to be implemented in time for the new Council in May.   In effect the Welsh Government is proposing that during the month of April it will consider all responses it receives on the draft guidance, amend the draft guidance in the light of the consultation responses, issue the final version of the guidance, implement sections 81 to 87 of the Local Government (Wales) Measure and expect the unitary authorities in Wales to each recruit the requisite lay members and amend their Constitutions to have audit committees reflecting the requisite terms of reference. It is recommended that the Council respond to the draft guidance indicating that this timescale is unrealistic.

3.03   In relation to the contents of the draft guidance, the officers believe that the Council should make the following points in response to consultation. Members are asked to consider these points and any other points they would wish to make on the draft guidance.

3.04   Paragraphs 9.9 and 9.10 refer to two separate publications issued by CIPFA and indicate that whilst one of those publications is somewhat dated (published in 2005) its principles are still valid. The draft guidance goes on to indicate that local authorities are advised to view the two documents as being complementary to this guidance.   It is believed that the guidance when it is issued should be all encompassing rather than referring to separate documents, particularly where it is saying that one of those documents is somewhat dated and that it is only the principles of it that are still valid. The final guidance should include those parts of the separate documents that the Welsh Government believes still to be relevant. At present it is not clear what parts of the 2005 document are to be regarded as still being valid.

Date: 16/03/2012

3.05   The Local Government Measure introduces a responsibility for the audit committee to review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs. No guidance is given on what it is intended that this should mean in practice. It is understood that a number of Councils are interpreting this to mean that the audit committee should take over responsibility for scrutiny of the Council's revenue budget and capital programme and the in-year monitoring, following consideration of the same by the Executive. In effect this would take away the budget scrutiny role from Overview & Scrutiny (principally corporate resources overview and scrutiny, but other committees also). Officers believe that the final version of the guidance should clarify what precisely is seen as the role of the audit committee in relation to the financial affairs of the Council and how this differs to the ongoing role of overview and scrutiny. It is recommended that the Council's response to consultation should indicate that the audit committee should be limited to ensuring that there is a solid approach towards financial and organisational propriety, through the application of effective systems, procedures and controls. The role of overview and scrutiny to monitor, challenge and support the development of effective financial performance (linked to service delivery and performance) should remain.

3.06   Paragraph 9.15 of the draft guidance indicates that the authority must ensure that the audit committee is provided with all copies of auditor's reports. Officers believe that this is too prescriptive and that in view of the number of reports that are issued by internal and external auditors, it can lead to the committee being inundated and unable to properly consider the reports that raise significant issues. The officers believe it should be left to local choice for each authority to decide the extent to which audit committees need to receive copies of auditors reports.

3.07   Paragraph 9.19 of the draft guidance requires the audit committee to receive and consider reports from not only external and internal auditors but also any other regulators or inspectors. It goes on to say that the authority will need to ensure there is no unnecessary duplication between the audit committee and any overview & scrutiny committee in considering such reports. If in future audit committees are to receive and consider reports from bodies such as Estyn, and duplication is to be avoided, then such reports would not in future be considered by the lifelong learning overview & scrutiny committee. In view of the special interest groups that are statutory co-optees on the lifelong learning overview & scrutiny committee this seems odd, particularly as the committee has the ongoing role in relation to scrutinising the education function. Again it is believed that this part of the draft guidance is too prescriptive and it should be left to the local choice of individual authorities as to the extent to which reports from regulators and inspectors are considered by audit committee rather than by the appropriate overview & scrutiny committee.

3.08   Paragraph 9.23 of the draft guidance states that reports and recommendations by the audit committee should be considered by full Council in particular as well as the Executive. Whilst this appears just to relate to the audit committee in relation to financial statements, it does seem to be advocating duplication and could lead to confusion as to whether the responsibility is with the Executive or is a Council function. This paragraph should be removed or at least clarified as to when it is

appropriate for reports and recommendations to subsequently be considered by both Council and Executive, and clarify which prevails in the event of Council and Executive taking different views.

3.09   Paragraph 9.27 of the draft guidance advocates that the recruitment of lay members of the audit committee should follow a public recruitment exercise similar to that used to appoint members of the standards committee. In preparation for the implementation of the new arrangements, the committee is asked to consider how many lay members it wishes to appoint (as least one but no more than the third of the committee's membership) and the total membership of the committee under the new arrangements. This can then be reported to the constitution committee on the 28 March in preparation for the annual meeting on the 15 May 2012. To enable the reconstituted committee to meet authority is also sought to proceed with the recruitment of the lay member or members.

3.10   Once the final guidance has been issued and in the light of working experience, it is the intention to carry out a further review of the terms of reference and bring a report to the reconstituted committee.

4.00   RECOMMENDATIONS

4.01   That the committee note the provisions in the Local Government (Wales) Measure 2011 relating to audit committees.

4.02   That the committee consider the points it wishes to include in the response to consultation on the draft statutory guidance, including the points made in paragraphs 3.04 to 3.09 above.

4.03   For the committee to make a recommendation in respect of the number of lay members and the total membership of the audit committee under the new arrangements.

4.04   To recommend to Council that the audit committee's terms of reference be updated as indicated in paragraphs 2.04 to 2.06.

4.05   To authorise officers to pursue the recruitment of lay member(s).

5.00   FINANCIAL IMPLICATIONS

5.01   None as a result of this report.

6.00   ANTI POVERTY IMPACT

6.01   None as a result of this report.

7.00   ENVIRONMENTAL IMPACT

7.01   None as a result of this report.

Date: 16/03/2012

8.00   EQUALITIES IMPACT

8.01   None as a result of this report.

9.00   PERSONNEL IMPLICATIONS

9.01   None as a result of this report.

10.00   CONSULTATION REQUIRED

10.01   None as a result of this report.

11.00   CONSULTATION UNDERTAKEN

11.01   Discussion has taken place with the Wales Audit Office and other North Wales Councils on approaches to the proposed guidance.

12.00   APPENDICES

12.01   Appendix 1 - Sections 81 to 87 Local Government (Wales) Measure 2011
        Appendix 2 - Draft Statutory Guidance
        Appendix 3 - Audit Committee Terms of Reference

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

         Local Government (Wales) Measure 2011
         Draft statutory guidance Welsh Government consultation document dated 3
         February 2012

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Date: 16/03/2012

CHAPTER 2

AUDIT COMMITTEES

81 Local authorities to appoint audit committees

(1) A local authority must appoint a committee (an "audit committee") to—

   (a) review and scrutinise the authority's financial affairs,

   (b) make reports and recommendations in relation to the authority's financial affairs,

   (c) review and assess the risk management, internal control and corporate governance arrangements of the authority,

   (d) make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,

   (e) oversee the authority's internal and external audit arrangements, and

   (f) review the financial statements prepared by the authority.

(2) A local authority may confer on its audit committee such other functions as the authority considers suitable to be exercised by such a committee.

(3) It is for an audit committee to determine how to exercise its functions.

82 Membership

(1) A local authority is to appoint the members of its audit committee.

(2) A local authority must secure that—

   (a) at least two-thirds of the members of its audit committee are members of the authority;

   (b) at least one member of its audit committee is a lay member;

   (c) no more than one of the members of its audit committee is a member of the authority's executive;

   (d) the senior member of its executive is not a member of its audit committee.

(3) Subsection (2)(c) does not require the membership of a local authority's audit committee to include a member of the authority's executive.

(4) The appointment of a person as a member of an audit committee has no effect if the membership of the committee breaches subsection (2) immediately after the appointment (whether or not by virtue of the appointment).

(5) In a case where one or more persons are to become, or to cease to be, members of an audit committee at a particular time, all those changes of membership are

to be taken into account in determining whether the membership of the committee breaches subsection (2).

(6) An act of an audit committee is invalid if the membership of the committee breaches subsection (2).

83   Proceedings etc

(1) An audit committee is to appoint the person who is to chair the committee (who may be a member of the authority or a lay member but who must not be a member of an executive group).

(2) If there are no opposition groups, the person who is to chair the audit committee may be a member of an executive group but must not be a member of the local authority's executive.

(3) All members of an audit committee may vote on any question that falls to be decided by the committee.

(4) An audit committee of a local authority—

(a) may require members and officers of the authority to attend before it to answer questions, and

(b) may invite other persons to attend meetings of the committee.

(5) It is the duty of any member or officer of a local authority to comply with any requirement imposed under subsection (4)(a).

(6) A person is not obliged by subsection (5) to answer any question which the person would be entitled to refuse to answer in, or for the purposes of, proceedings in a court in England and Wales.

(7) An audit committee is to be treated as a committee of a principal council for the purposes of Part 5A of the Local Government Act 1972 (access to meetings and documents of certain authorities, committees and sub-committees).

(8) For the purposes of subsections (1) and (2), the expressions "executive group" and "opposition group" have the same meaning as in section 75.

84   Frequency of meetings
(1) An audit committee must meet once in every calendar year.

(2) The audit committee of a local authority must also meet if—

(a) the local authority resolves that the committee should meet, or

(b) at least one-third of the members of the committee requisition a meeting by one or more notices in writing given to the person who chairs the committee.

(3) It is the duty of the person who chairs an audit committee to secure that meetings of the committee are held as required by subsections (1) and (2).

(4) This section does not prevent an audit committee from meeting otherwise than as required by this section.

85 Guidance

(1) The Welsh Ministers may give guidance to local authorities—

(a) about the functions of audit committees and the exercise of those functions, or

(b) about the membership of audit committees.

(2) A local authority and its audit committee must have regard to guidance given by the Welsh Ministers under subsection (1).

86 Termination of membership on ceasing to be member of authority

(1) This section applies to a person (P) who is—

(a) appointed to be a member of an audit committee of a local authority, and
(b) is a member of the authority at the time of that appointment.

(2) If P ceases to be a member of the authority, P also ceases to be a member of the audit committee.

(3) But subsection (2) does not apply if P—

(a) ceases to be a member of the authority by reason of retirement, and
(b) is re-elected a member of the authority not later than the day of retirement.

(4) Subsection (3) is subject to the standing orders of the authority or the audit committee.

87 Interpretation etc

(1) Expressions used in this Chapter and in Part 2 of the Local Government Act 2000 (or in an instrument made under that Part of that Act) have the same meanings in this Chapter as in that Part of that Act (or in that instrument).

CHAPTER 9 AUDIT COMMITTEES

Statutory Guidance made under Section 85 of the Local Government (Wales) Measure 2011

Introduction

9.1 Part 6 of the Measure, deals with Overview and Scrutiny, including, at Chapter 2 of that Part, Audit Committees. The Welsh Government's intention through these provisions was to ensure that all local authorities in Wales would have an audit committee (as has been recommended by the Chartered-Institute of Public Finance and Accountancy [CIPFA] since 2005). Our view is that audit committees are positive features which should help improve strategic planning and facilitate both scrutiny and challenge within the structures of a council.

What the Measure requires

9.2 Sections 81 to 87 make provision for audit committees. They require each county or county borough council to appoint an audit committee with the following functions:

- Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs.

- Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.

- Oversee the authority's audit arrangements and review its financial statements.

9.3 In addition to these statutory functions, a local authority can confer other functions on the committee which it deems suitable for it. Each audit committee can decide how it wants to carry out its functions, but in doing so it must have regard to this guidance.

9.4 The full council should decide who to appoint as members of its audit committee and it can determine that up to a third of its members are to be from outside the council. In fact, at least one member of the committee must be a lay member. It is permissible for only one of the committee's members to be from the council's executive, and this must not be the leader (or elected mayor). The council must have regard to this guidance when determining the membership of its audit committee.

9.5 The chair of the committee is to be decided upon by the committee members themselves. It can be a councillor or a lay member but, in the former case, must not be a councillor who belongs to a group with members in the executive. An exception to this is where there are no opposition groups, in which case any of the committee's members may become chair except for any member of the committee who is also a member of the executive. All committee members,

including lay members, have the right to vote on any issue considered by the committee.

9.6   Any officer or member called to attend an audit committee meeting must do so. They must answer any questions asked of them save ones which they could refuse to answer if they were in court. The committee can invite other persons to attend before it, but anyone else so invited to attend is under no compulsion to do so.

9.7   The audit committee is subject to normal arrangements of openness. Meetings should be held in public, agendas and reports should be published and available for inspection. The exception to this is where "exempt items" are being considered, which are chiefly matters which involve discussions concerning named individuals or commercial in confidence matters.

9.8   The committee must meet at least once a year and must also meet if the full council so decides, or if at least a third of the committee's members require that a meeting be held. Beyond these stipulations, the committee can meet whenever it likes.

Functions of an audit committee

9.9   The Assembly Government has previously endorsed CIPFA's publication *"Audit Committees: Practical Guidance for Local Authorities"* and continues to do so, together with their publication *"A toolkit for Local Authority Audit Committees".*

        Information on these publications can be found here:

http://secure.cipfa.org.uk/cgi-bin/CIPFA.storefront/EN/product/AU025

http://www.cipfanetworks.net/governance/shop/pubs/default.asp?pub=laatoolkit&page=4

9.10   Although the former publication is somewhat dated (published in 2005) its principles are still valid. Local authorities are advised to view those documents as being complimentary to this guidance.

Reviewing the authority's financial affairs

9.11   Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of its financial affairs. Putting in place the audit committee and providing it with the duty to keep the authority's financial affairs under review must be viewed as assisting in the fulfilment of this requirement.

9.12   This is an area which is given close attention by the authority's external auditors and ties in with the duty of the audit committee to oversee the arrangements for internal and external audit, and also the need to monitor the internal control and risk management arrangements made by the authority.

Risk management, internal control and corporate governance

9.13 The attention to this matter should raise the profile of risk management as a necessary control tool within the authority as a whole. By providing regular review, the audit committee forms a significant part of the authority's corporate governance structure.

9.14 The authority should adopt a Statement of Purpose for its audit committee along the lines included in Chapter 2 of the CIPFA guidance, ensuring that the committee is given a prime role in ensuring that effective corporate governance is central to the organisation's procedures. A high profile for the audit committee should help to raise public confidence that the authority has a solid approach towards its financial and organisational propriety.

9.15 The audit committee will need to report on the adequacy of the authority's risk management and internal control arrangements, and comment on their effectiveness, as well as following up on risks identified by auditors and requiring reports as to action taken in response. This means that the authority must ensure that audit committees are provided with all copies of auditor's reports.

Internal and external auditors

9.16 A properly operating audit committee should provide the authority's chief finance officer with advice which can serve to bolster the work of internal and external auditors. The committee can ensure that audit reports are kept in the authority's mind, so timing of meetings might be planned so as to effectively follow-up auditors' recommendations.

9.17 The audit committee will expect to input into the planning of the internal audit priorities, approving the annual programme of audits and ensuring that the internal auditors have the necessary resources to conduct their work effectively. They will want to meet with the Head of Internal Audit and receive his/her annual report.

9.18 The audit committee should also receive the reports from the external auditors and follow up their recommendations during the year. The committee should have a role in agreeing the authority's response to the auditor's letters or reports as well as being able to meet with the external auditor.

9.19 In addition, the audit committee should receive and consider reports from any other regulators or inspectors. In respect of these, the authority will need to ensure there is no unnecessary duplication between the audit committee and any overview and scrutiny committee in considering such reports.

<u>Financial statements</u>

9.20 Before their approval by the authority, the audit committee should consider and comment on the authority's financial statements. They will want to see to what extent the statements take cognisance of audit reports during the year, and changes in accounting policy and internal control mechanisms.

9.21 This means the audit committee will need to meet between the production of the statements and their approval by the authority. This may be quite a tight timetable.

9.22 CIPFA's "toolkit" should be used to assist in the proper scrutiny of these statements.

9.23 Reports and recommendations by the audit committee should be considered by full council in particular, as well as the executive.

Membership

9.24 The rules within section 15 *et seq* of the Local Government and Housing Act 1989 do not apply to audit committees. It is not therefore a statutory requirement to ensure that political balance is achieved when the committee members are appointed. The authority must however decide how many non-councillors should be appointed to the committee, and all members of the committee should display independence of thinking and unbiased attitudes, and must recognise and understand the value of the audit function. It is strongly recommended that the balance of members of the committee is at least as favourable to non-executive groups as would be achieved by political balance rules. It will help the authority if the audit committee has the appearance of independence from the leadership.

9.25 All new members will need to be provided with induction training. Although it is to be hoped that appointed councillors would have some relevant expertise, this cannot be guaranteed. What will be important, though, is to try and ensure that members do not have any other responsibilities which might conflict with their audit role. That might be particularly the case in the choice of any executive member on the committee. It may also mean that the members should not have too many other commitments, in genera,l in terms of committee membership because of the significant commitment which being a member of the audit committee implies. All members should receive adequate training and development, and particular attention should be paid to the section on training and awareness in the CIPFA "toolkit".

9.26 The audit committee should try and ensure that they appoint a member as chair who will be strong and experienced enough to lead the questioning which the committee will have to perform.

9.27 There must be at least one lay member on the committee but they could constitute up to a third of the membership if an authority so decided. Whatever recruitment method is employed, lay members should be independent from the council and have no business connection with it, although knowledge of how local government functions would be a definite advantage. In appointing lay

members, local authorities should also try to avoid appointments of persons whose political allegiances are well known. It is recommended that councils follow a public recruitment exercise, similar to that used to appoint members of standards committees, to recruit their lay members. Any lay member with voting rights is subject to the provisions of the authority's Code of Conduct for Members.

9.28 As a committee of the council, meetings of the audit committee should be open to the public, except when exempt matters are being discussed.

Article 7 - The Audit Committee

7.01 **Role**

The Audit Committee's role and functions will be to:

(a)   Review the effectiveness of the Authority's systems of internal control and risk management systems.

(b)   Oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information.

(c)   Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.

A.   **Internal Control**

- Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and risk management.
- Understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- Understand the controls and processes implemented by management to ensure the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
- Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the internal and external auditors have been implemented by management.
- Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.
- Consider the annual draft statement on internal control and make appropriate recommendations/observations to the Executive prior to its submission to the Council's Regulators.

B.   **Compliance with Law and Regulations**

- Keep under review the Council's financial regulations and contract standing orders and all other corporate directions concerning financial control.
- Receive reports on all fraud identified and any other special investigations, and action taken.
- Obtain regular updates from management and legal advice regarding compliance matters, and be satisfied that all compliance matters have been considered in preparing the financial statements.

C.   **Financial Reporting**

- Consider the annual Statement of Accounts, together with the underlying accounting policies prior to their submission for audit, and recommend their approval to the Council.
- Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- Meet with management and external auditors to review the financial statements, the key accounting policies and judgements, significant accounting and reporting issues and their impact on financial reports, and the results of the audit.
- Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.
- Review the other sections of the Annual Report and the Statements of Accounts and consider whether the information is understandable and consistent with members' knowledge of the Authority and operations and lacks bias.

D.   **External Audit**

- Ensure that the annual audit is undertaken in compliance with statutory requirements.
- Review the external auditors' proposed audit scope and approach for the current year in the light of the Authority's present circumstances and changes in regulatory and other requirements arising from Government, Assembly or Council initiatives.
- Receive all audit reports, and the annual audit letter, issued by the external auditor, and ensure that all agreed recommendations are implemented.
- Review on an annual basis the performance of external audit and co-ordinate any feed back requested from the Audit Commission.
- Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the auditors have access to the chair of the audit committee when required.

E.   **Internal Audit**

- Promote the role of internal audit within the Council, as a key element of its control environment.
- Review, approve and monitor the delivery of the internal audit plan and the risk assessment exercise on which the plan is based, and ensure it considers changes arising from Government, Assembly or Council initiatives.

- Receive summaries of all internal audit reports issued, highlighting key recommendations and recommendations of reports with corporate control implications.
- Monitor the implementation of agreed recommendations contained within internal audit reports.
- Ensure that no management restrictions are placed in the scope of audit's examinations.
- Meet separately with the Head of Internal Audit to discuss any matters that the committee or internal auditors believe should be discussed privately.
- Keep under review the organisational structure and resource requirements of the Internal Audit Section.
- Discuss with the external auditor the standard of work of internal audit staff.
- Evaluate on an annual basis the performance and effectiveness of internal audit and its compliance with best practice.

F. **General**

- Request the attendance at the Committee of any Director, or the submission of a report from any Director, to provide further explanation in connection with any of the above terms of reference.
- Arbitrate in the event of any failure to agree between a Director and internal audit.
- Keep under review the joint working arrangements of the Council's internal and external auditors.
- Evaluate the committee's own performance, both of individual members and collectively, on a regular basis.

The Audit committee will keep the above terms of reference under annual review and propose any amendment to the County council.

7.02 **Form and Composition**

The Chair and Vice-Chair of the Audit Committee will be chosen from amongst the main opposition group(s) on the Council.

It is the express wish of the Council that there should be continuity of membership of the Audit Committee so as to build up a body of expertise and maintain a consistency of approach.

In recognising the express wish of the Council, but observing the requirements of the legislation for political balance, the Audit Committee will comprise 7 Members with the seats allocated in accordance with the legislation to the appropriate political groups. Any proposed substitution shall comply with Council Procedure Rule 22.4 and the proposed substitute shall have attended relevant training. Substitutes will only be permitted where the Audit Committee at the commencement of its meeting agrees that good reasons exist for substitution.

REPORT TO: **AUDIT COMMITTEE**
DATE :   **26 MARCH 2012**
REPORT BY: **HEAD OF FINANCE**
SUBJECT :   **INTERNAL AUDIT STRATEGIC AND OPERATIONAL PLAN**

1.00   PURPOSE OF REPORT

1.01   To present the proposed Internal Audit plan for the three year period 2012/13 to 2014/15, for Members consideration.

1.02   The plan is subject to final officer agreement at CMT on 20th March 2012. Any changes resulting from this meeting will be circulated as an amendment to the plan at the committee meeting.

2.00   BACKGROUND

2.01   Each year Internal Audit prepare a three year rolling audit plan, with the first year completed in more detail. The plan is designed to meet the professional standards required of us in order to review and evaluate the risk management, control and governance arrangements within the Authority.

2.02   There has been continuing progress within the Authority in developing the Strategic Assessment of Risks and Challenges. The Internal Audit plan which is attached is largely based on these strategic risks and challenges, along with operational risks.

2.03   The final plan was produced after consultation with Directorate management teams, the Chief Executive and CMT. WAO have also been contacted. It includes work which is expected to be completed to satisfy regulators and also work arising from the consultation or from our involvement in development projects.

2.04   In line with the planned new structure and greater emphasis on advisory / consultancy work as outlined to the Committee in November 2010, the plan for 2012/13 includes time allocated to projects such as Flintshire Futures and the Lean Team.

2.05   The change to the new department structure is currently taking place. As far as possible the plan for 2012/13 has taken into account those changes.

3.00   CONSIDERATIONS

3.01   Does the strategy for Internal Audit as set out in Appendix A cover the Authority's key risks as they are recognised by the Audit Committee?

3.02   Does the audit strategy include all those areas that the Audit Committee would

expect to be subject to internal audit coverage, in terms of our professional responsibilities as well as covering areas of concern flagged by management?

3.03   Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

3.04   Does the plan for the coming year reflect the areas that the Audit Committee believe should be covered as a priority?

4.00   RECOMMENDATIONS

4.01   The Committee is requested to consider the report and to make comments on its content.

4.02   The Committee is recommended to approve 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   Strategy for Internal Audit 2012/13 to 2014/15.

Date: 16/03/2012

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

None

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Strategy for Internal Audit

2012/13 – 2014/15

For presentation at the Audit Committee meeting of 26th March, 2012

Contents

1   Introduction

1.1   Overall Approach

This strategy sets out the approach we have taken to develop the internal audit plan for 2012 / 2015.

1.2   The Purpose and Function of Internal Audit

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

(Chartered Institute of Internal Auditors)

Our professional responsibilities as internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland.

As such, our approach to internal audit also meets the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, in particular to how those elements help Flintshire County Council achieve its objectives.

2   Developing your Internal Audit Strategy

2.1   Developing the Strategy and the Detailed Plan for 2012/15.

Flintshire County Council's (FCC) objectives are the starting point in the development of the strategy for internal audit for the organisation.

2.2   To develop your strategy for internal audit, we have considered the following:
- The core objectives of the organisation (as agreed by the Executive Committee) and the specific risks associated with those objectives;
- The Strategic Assessment of Risks and Challenges,
- Areas of concern or requests for coverage from management and the Audit Committee;
- Areas where external audit will wish to place reliance on the testing performed by internal audit;
- Other sources of assurance available to the organisation;
- Any recent significant changes within the organisation and its operations;
- Regulatory requirements for internal audit coverage;
- The timing for each internal audit review to maximise the benefit of assurance provided; and
- Results of previous internal audit coverage.

We also met with management across the organisation to further understand the risk areas where internal audit assurance is appropriate.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a contingency allocation, which will only be utilised should the need arise, for example, for unplanned and ad-hoc work;

- an audit management allocation, used at Audit Manager and Principal Auditor level for quality control, internal and external liaison and for preparation for and attendance at Audit Committee;

- an allocation for investigations into potential fraud.

The strategy will be revisited each year to confirm current priorities for internal audit coverage and to develop a detailed internal audit plan for the forthcoming year.

The commentary in the following sections is intended to highlight key areas of the plan, and particularly to explain new areas of work. Comments refer particularly to areas that are proposed for coverage in 2012/13.

3   Corporate

3.1   In 2012/13 the department will concentrate on contributing to major areas of development within the Authority through involvement in Flintshire Futures projects and Lean Team work.

3.2   We will continue to conduct work in support of the Annual Governance Statement which includes reviewing the effectiveness of the Authority's risk management processes and corporate governance arrangements.

3.3   We will examine performance indicators to give assurance on the accuracy of information that is reported.

3.4   We will review the input from Flintshire into collaborative work projects and partnerships.

3.5   We will complete reviews of the application of the Procurement Strategy, Business Continuity testing and Theatr Clwyd planning.

4   Finance

4.1   A key area of work for the Authority is the continuing development of a robust Medium Term Financial Strategy and Plan. We will review the strategy and the plan after the planned update in the middle of the year.

4.2   Previous Internal Audits have highlighted significant weakness in housing benefit subsidy claims. Our audit will review whether progress has been made in improving the arrangements for the claims and the impact that this has had on performance.

4.3   We will perform reviews of the corporate grants register, the new payments systems associated with Flintshire Connects and the arrangements for ensuring that VAT and CIS are accounted for.

4.4   In line with the UK Auditing Standard (SAS 500) 'Considering the work of Internal Audit' we have determined our annual coverage of core financial systems to enable External Audit to place reliance on our work which should reduce the time and cost of the External Audit for the Authority. Our work programme will include the design of core financial accounting and internal control systems, operational compliance, and recommended improvements to the systems. We will maintain our liaison with External Audit on the areas identified to ensure that our work programme is sufficient to enable them to place reliance on our work.

4.5   We also undertake reviews in our role as internal auditors to the Clwyd Pension Fund.

5   Legal and Democratic Services

5.1   There are no auditable strategic risks, however we will assist the Information Commissioner in his review of Data Protection within Flintshire in the coming year.

5.2   We will provide management with assurance regarding Members allowances and review the Commons Register which has not been reviewed for several years. .

6   Human Resources and Organisational Development

6.1   Payroll system continues to be included annually as part of the on-going need to review systems which are the subject of external regulation. The review will also include a follow up of the overpayments review.

6.2   A follow up review is to be carried out of absence management, the review will include establishing the reasons for any non compliance with the policy.

6.3   We will review the processes engaged in the outcome of the costing model for Single Status.

6.4   Reviews are also planned of equalities (links with self serve) and holiday entitlements.

7   Information and Communications Technology and Customer Services

7.1   A review will be carried out of the IT governance arrangements in place which will include internet / email monitoring, security policy compliance and the security of the proposed printing solution.

7.2   The new electronic document management initiative will be reviewed following implementation in 2013.

7.3   The procurement processes will be reviewed to ensure value for money is being achieved and procedures are being followed.

7.4   With the increasing use of mobile electronic devices as part of business processes it is intended to review the security and data control implications.

8   Lifelong Learning

8.1   The new facility at Deeside Leisure Centre will be reviewed to ensure the income streams and the new centralised administration functions are well controlled.

8.2   Youth and Community is included in the plan which will include all areas of operation.

8.3   Following the review of the catering facilities a review is to be carried out of Cleaning Services, the review will take account of the findings of the APSE review.

8.4   Free school meals are to be reviewed to include links with catering services, entitlements and activity to encourage the uptake of free meals.

8.5   As in previous years time has been assigned to carry out reviews of grant claims as required by the Wales Audit Office.

8.6   Following the introduction of the revised process for the audit of school activity the focus will continue to be on
           • Central reviews in County Hall
           • Risk based reviews on specific themes across a range of schools
           • Self Assessment questionnaires completed by all schools

8.7   Reviews are also planned of the Pupil Referral Unit and income generation within the Music Service.

9   Community Services

9.1   Within Housing Services, management seeks assurance that new working practices are operating in a controlled way. The review will include mobile working, work ticket validation and gas servicing procedures.

9.2   Following the introduction of a new housing allocations policy it is intended to carry out a compliance review in this area.

9.3   The operation of the disabled facilities grants will be carried out within the Directorate to include both the assessment process and Housing involvement in the management of the grant process.

9.4   Following discussion with management it was agreed to include the following in this year's programme to provide assurance that procedures and processes are operating effectively:

- Fostering (including boarding out, special guardianships and residents order payments)

- Section 33 governance arrangements – review of stores operation

- Residential Services (Flintshire operated care homes only)

- Sheltered Housing

10   Environment

10.1   The strategic risk register identifies a number of risks assigned to the Environment Directorate. In addition to the strategic risks we considered the operational risks identified in the Directorate Service Business Plans when drawing up our internal audit plan for the year.

10.2   Regeneration is a key priority of the Authority and our review will consider the effectiveness of the Town Centre Partnerships.

10.3   Waste management is a key risk of the Authority, a review is planned to establish how the Authority is addressing waste management in terms of recycling and participation.

10.4   A review is currently being undertaken of the Fleet service, it is intended to review the control framework on the completion of the review.

10.5   Other areas scheduled for review within Public Protection are the issue of licences and pollution

11   Other Areas

11.1   We propose an annual allocation in the region of 460 days, to allow for a range of important activities including:

- Anti-fraud initiatives
- Investigations
- Ad-hoc requests for support
- Follow up reviews
- Regional liaison and collaboration with other Internal Audit departments

12   Resources

12.1   The resources required to deliver the proposed plans are summarised in Appendix A, which demonstrates that an annual allocation of around 1565 productive working days is required in 2012/13.This is the same as last year, and is in accordance with the service review brought to the committee in November 2010.

12.2   The plan will be delivered by the Flintshire in house team. Recruitment is currently underway to bring the department to full strength. If necessary there are the options of using resource from RSMTenon or of revising the audit plan during the year. Some specialist IT audit may be required to cover some of the more technical IT work.

12.3   The role of internal audit within the Authority is changing as a result of the service review with more emphasis on advisory / consultancy work, in particular Flintshire Futures and the Lean Teams. This is reflected in the plan.

12.4   Projects planned for the second and third years of the plan are indicative and may change. Therefore the number of days for those projects has not been completed at this time. The days can be allocated in later planning cycles according to the current priorities.

12.5   The analysis shows the breakdown between the category of work undertaken within the directorates.

13   Considerations Required of the Audit Committee

- Does the Strategy for Internal Audit (as set out at Appendix A) cover the organisation's key risks as they are recognised by the Audit Committee?

- Does the audit strategy include all those areas that the Audit Committee would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?

- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

- Does the detailed internal audit plan for the coming financial year reflect the areas that the Audit Committee believe should be covered as priority?

All Assignments sorted by Directorate

CORPORATE

Risk Based Coverage

Risks / Source	Risk Area	Auditable Area	2012/ 13	2013/ 14	2014/ 15
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	X	X
18	Procurement Effective and cost efficient local, regional and national procurement	Review the application of the Procurement Strategy, and performance against it.	20		

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source of Requirement	2012/ 13	2013/ 14	2014/ 15
Performance Indicators	To provide assurance that the reporting of performance is accurate	20	X	X

Other Internal Audit Coverage

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
Corporate Governance	Review the application of the Corporate Governance principles in support of the Annual Governance Statement.	10	X	X
Collaborations	Review the rigour of business cases to ensure the collaborations are of benefit to Flintshire	10		
Partnerships	Identify all partnerships and governance arrangements	10		
Theatre Clwyd	Review of the resilience of business planning and income projection	20		
Business Continuity	Review to focus on staff movements, in particular consideration of testing	10		

Advisory / Consultancy work

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
Flintshire Futures	Participation in project with the Flintshire Futures teams	30	X	X

Lean Team	Closing meetings Track recommendations	30	X	X

		Total	170		

FINANCE

Risk Based Coverage

Risks/ Source	Risk Area	Auditable Area	2012/ 13	2013/ 14	2014/ 15
Council Governance					
CG06	Medium Term Financial Strategy and Plan	To review the strategy and plan after the planned update by mid 2012/13.	20		
CG07	Financial Management and Control	Review of financial reporting and management accounts		X	

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source of Requirement	2012/ 13	2013/ 14	2014/ 15
Main Accounting	General Ledger, Income and Debtors, Accounts Payable, Cash and Bank, taxation External audit to place reliance on testing undertaken by internal audit.	50	X	X
Housing Benefit	To satisfy external requirements of Department of Work and Pensions.	20	X	X
Council Tax and NNDR	External audit to place reliance on testing undertaken by internal audit.	20	X	X
Capital Programme	Review capital programme strategy. To review whether the Authority effectively prioritises capital expenditure to gain value for money for the resources available.		X	
Treasury Management	To verify that effective Treasury Management arrangements are in operation which ensure the security of the Councils cash, in particular following the transfer of the function to Corporate Finance in 2012/13.		X	
Cash and Banking	To verify that cash and banking controls are effective and operated in accordance with procedures, in particular following the transfer of the function to Corporate Finance in 2012/13.		X	

Other Internal Audit Coverage

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
Corporate Debt Management	Systematic audit of debt management and enforcement arrangements.		X	

7

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	X	X
Corporate Grants	Review of grants register.	15		
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.		X	
Taxation	Review of VAT and CIS	20		
Flintshire Connects	Review of new payment systems	10		

	Total	170		

PENSION FUND

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source of Requirement	2012/13	2013/14	2014/15
Pensions Administration and Contributions	External audit to place reliance on testing undertaken by internal audit. Verification of the contributions made from admitted bodies.	40	X	X

Other Internal Audit Coverage

Topic	Source / Rationale	2012/13	2013/14	2014/15
Clwyd Pension Fund Management	Corporate Governance			X
Pensions Investment Management and Accounting	To review the performance and management of the Clwyd investment fund.		X	

	Total	40		

LEGAL AND DEMOCRATIC SERVICES

Other Internal Audit Coverage

Topic	Source / Rationale	2012/13	2013/14	2014/15
Commons Register	Management concern. Intention to make the records electronic, currently manual.	10		
Electoral Register	Management concern. Review procedures and processes in relation to the maintenance of an accurate and up to date register.		X	

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Data protection	To work with ICO inspection	10		
Freedom of information / EIR	To review compliance with external regulation.		X	
RIPA Compliance	To review compliance with external regulation.			X
Members Allowances	This area should continue to be reviewed bi-annually.	10		
Regional Collaboration	Democratic accountability, value for money, governance		X	

	Total	30		

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

Risk Based Coverage

Risk / Source	Risk Area	Audit	2012/ 13	2013/ 14	2014/ 15
Council Governance					
CG11	Terms and Conditions of Employment. Implementation of Single Status	To provide assurance to the Authority that the outcomes from the Single Status initiative are being correctly and consistently applied. The review will also provide assurance that no local agreements outside the scope of Single Status agreements have been negotiated and implemented.		X	

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
Payroll & HR System	Regulatory annual audit. Forms part of the overall external audit opinion on the application of controls.	50	X	X

Other Internal Audit Coverage

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
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		X	
Agency /Temporary Staff	To review the implementation of new guidance, including temporary staff and consultants	10	X	
Criminal Records Bureau	Review CRB compliance in the light of changing legislation		X	

9

Staff appraisals	To review implementation of policies			X
Corporate Training	To look at how training needs are being met, both internally and through the use of external training providers			X
Occupational Health	To be agreed.		X	
Equalities	Review issues around the capture of the data required including the use of self service		X	
Staff Induction	Verify compliance i.e. ensure induction held by managers with all new starters.			X
Disciplinary Policy	Review for compliance with policy	15		
Payroll / pensions	Review link between payroll and pensions	10		
Single status – costing of pay model	Review the processes engaged in the costing of the Pay Model	15		

Advisory / Consultancy work

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
Service Review	Input to new procedures	10		
Midland Trent: Phase 2	Review any new functionalities which may be introduced during the year.	15		

	Total	125		

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Risk Based Coverage

Risks / Source	Risk Area	Auditable Area	2012/ 13	2013/ 14	2014/ 15
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		

Other Internal Audit Coverage

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
IT Procurement	Ensure all purchases are in line with best practice, value for money is achieved and contract procedure rules/financial procedure rules are followed	10		
Electronic document management	To be agreed	15		

Wireless Security	Review operational controls following completion of project		X	
Mobile working, mobile phone security, smart phones	Access controls, physical security	20		
Disaster Recovery	Review of the plan		X	

	Total	75		

LIFELONG LEARNING

Coverage for External Audit Reliance or to fulfil Regulatory Requirements

Systems	Source of Requirement	2012/ 13	2013/ 14	2014/ 15
Grants	WAG requirement for Internal Audit to review specified grants e.g. community schools	20	X	X

Other Internal Audit Coverage

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
Leisure Centres - operation	Review of vending and catering income.	20		
Youth & Community	Review operational controls	10		
Facilities Services – Cleaning Services	Review of the operation of cleaning services. Consider outcome of APSE review	10		
Pupil Referral Unit	To review operational controls at sites occupied by the unit.	10		
CCTV	Consider control issues raised as a result of the regional review.	10		
Student Services	To be agreed	15		
Free School Meals	Review funding.	10		
Payments processing	Review of processes / procedures	10		
Music Service	Review payments for lessons.	5		
Funding Formula	Review of new system currently being developed.	15		

Advisory / Consultancy work

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
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	10	X	X
Develop audit presence on	To establish a presence on the schools infonet to share good practice and highlight	5		

11

schools infonet	any common control issues			

Schools Audits

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

	Total	220		

COMMUNITY SERVICES

Risk Based Coverage

Risks / Source	Risk Area	Auditable Area	2012/ 13	2013/ 14	2014/ 15
Council Delivery					
CD12d	Homelessness	To ensure that the Authority's statutory obligations are being met		X	
CD12e	Sheltered Housing	Periodic review of the systems	10		
CD19	Gypsy Sites	To review the provision of sites within Flintshire		X	

Other Internal Audit Coverage

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
PARIS system	First review of system following additional enhancements		X	
Supporting People	To review how Supporting People is being delivered following the transfer of WAG funding (Supporting People Revenue Grant) directly to the control of the Authority		X	
Mobile working and work ticket validation	First review following the introduction of this significant change in working practices	25		
Allocations	Review the new allocations policy	10		
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		X	
Gas Servicing	New procedures are being developed to ensure that the Authority operates a sound gas servicing programme	15		
Rent Arrears	To review the control of arrears and the recovery of outstanding debts	15		
Vehicle Tracking Follow Up	To review the implementation of the system	15		

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.		X	
Direct Payments	Potential for increase in uptake of this scheme		X	
Care Homes		10		
POVA			X	
Youth Justice Service			X	
Disabled Facilities Grants		20		
Section 33	Review of stores operation	10		
Fostering	Boarding out, special guardianships and resident order payments	20		
Performance information	After CSSIW inspection, review of systems used to collect data	20		

Total	170	

ENVIRONMENT

Risk Based Coverage

Risks/ Source	Risk Area	Auditable Area	2012/ 13	2013/ 14	2014/ 15
Community Leadership					
CL09	Regeneration	Review of the operation and effectiveness of the Regeneration Partnership.		X	
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		
CL11	Integrated Transport Infrastructure	Review of civil parking enforcement		X	
Council Delivery					
CD02	Public Protection	To be agreed			X
CD05	Highways Infrastructure	To be agreed	20		
CD06	Transport arrangements for service users	Regional project outcomes		X	
27	Waste Management	Review how the Authority is addressing waste management in terms of recycling and participation.	20		

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.		X	
Operational					
	Planning	Internal audit of compliance with standard procedures as set out in Development Control Procedures Manual.		X	
	Communities First	Follow up			X

Other Internal Audit Coverage

Topic	Source / Rationale	2012/ 13	2013/ 14	2014/ 15
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.		X	
Subsidised Bus Services	Management Concern. Value for Money review of Subsidised Bus Services.		X	
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.		X	
Minerals and Waste Planning	Review of governance issues relating to contract		X	
Licensing	To be agreed	10		
Pollution Control	To be agreed	15		
Fleet Management	Review of controls following the fleet review	20		

	Total	105		

14

Investigations, Provisions and Development

	2012/ 13	2013/ 14	2014/ 15
Pro-active fraud work and NFI	50		
Provision for investigations	200		
Provision for ad-hoc requests from Directorates	100		
Follow up reviews	30		
Audit Development - IDEA	30		
Regional Collaboration	50		

Total	460		

Overall Total	1565		

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 8

REPORT TO:	**AUDIT COMMITTEE**
DATE :	**26 MARCH 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 12th March 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 on the 2011/12 plan. The plan shows that with one exception all projects have been started and most have reached at least draft report stage.

3.02   One project has been deferred at the request of management - Rent Arrears. This has been included in the plan for 2012/13.

3.03   The recruitment process is continuing. 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. Several responses were not received from management, all of which are 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 last meeting, where action plans have been completed the results are shaded, to make it easier to identify the recommendations still outstanding.

Date: 16/03/2012

3.05 After a question was raised at the last committee meeting, all outstanding recommendations for the report on s106 agreements were tracked. The responses are given in Appendix C.

4.00 RECOMMENDATIONS

4.01 The Committee is requested to consider the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Operational Plan 2011/12
Audit Tracking Summary
Audit Tracking Detail

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 BACKGROUND DOCUMENTS

None.

Date: 16/03/2012

Contact Officer: David Webster
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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	MAR
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	DRAFT

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	WIP
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 | |

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	DRAFT
Housing Benefit	To satisfy external requirements of Department of Work and Pensions.	20	20	WIP
Council Tax and NNDR	External audit to place reliance on testing undertaken by internal audit.	20	20	DRAFT
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	WIP
Cash and Banking	To verify that cash and banking controls are effective and operated in accordance with procedures.	20	20	FINAL

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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	DRAFT

		Original	New	
	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

		Original	New	
	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	WIP
Data protection	Management concern. To review compliance with external regulation. Reviews cover different parts of the organisation each year.	10	10	WIP
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	WIP
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	

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	DRAFT

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	WIP
Registrars	Establish systems in place and review service area based on key risks	10	10	WIP
Customer Complaints	Review compliance with complaints procedure	20	20	DRAFT
Operations Management	Consider all functions of Operations Management and prioritise coverage based on risk.	20	20	MAR
Additional Work				
Purchase to Pay (P2P)			10	ON GOING

	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	MAR
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	WIP
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	DRAFT

Transport	Review operational controls	15	15	DRAFT

Advisory / Consultancy work

Topic	Source / Rationale	Original Plan days	New Plan days	Status
Leisure 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

Topic	Source / Rationale	Original Plan days	New Plan days	Status
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	

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	FINAL
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	FINAL
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	DEF
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	FINAL
CL09	Regeneration	Review of the operation and effectiveness of the Regeneration Partnership.	5	5	DRAFT
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	FINAL
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	DRAFT
	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	
3rd Party Claims	Systematic review of 3rd 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	FINAL
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	

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	

	Overall Total	1565	1210	

Note
Rent Arrears deferred at the request of management. New processes being given time to bed in

Implementation Status of Limited Assurance Reports Issued

Title	Report Reference	Final Date Issued	Category	Recommendations Made	Recommendations Previously Implemented	Recommendations Previously Deferred	Response Received	Recommendations Due By	Recommendations Imp	Recommendations NOT Imp
CORPORATE										
	CD0070P1	Nov-10	Fundamental	0	0	0	NO	0	0	0
PROCUREMENT			Significant	4	0	4		4		
FINANCE										
MEDIUM TERM FINANCIAL STRATEGY	FD0040R1	Dec-11	Fundamental	1	0	1	NO	0	0	0
			Significant	7	0	7		2		
MEDIUM TERM FINANCIAL STRATEGY	FD0040P1	Apr-11	Fundamental	1	1	0	NO	0	0	0
			Significant	3	1	2		2		
	FL0070M1	Sep-09	Fundamental	0	0	0	NO	0	0	0
PROCUREMENT			Significant	7	3	4		3		
MAIN ACCOUNTING	FD0080P1	Dec-11	Fundamental	1	0	1	YES	0	0	0
			Significant	10	0	10		2	0	2
MAIN ACCOUNTING	FD0080N1	Sep-10	Fundamental	1	0	1	YES	1	0	1
			Significant	6	3	3		2	0	2
CAPITAL PROGRAMME	FD0090P1	Jan-12	Fundamental	0	0	0	YES	0	0	0
			Significant	13	0	13		1	0	1

ENFORCEMENT	FL0300L1	Oct-08	Fundamental	0	0	0	YES	0	0	0
			Significant	20	9	11		2	0	2
HOUSING BENEFITS	FD6150P1	Aug-11	Fundamental	1	0	1	YES	0	0	0
			Significant	3	0	3		2	1	1

LEGAL & DEMOCRATIC

DATA PROTECTION	LD0220P1	Oct-11	Fundamental	2	0	2	YES	1	0	1
			Significant	3	1	2		2	2	0
EMPLOYMENT PRACTICE CODES	LD0220N1	Mar-10	Fundamental	3	3	0	YES	0	0	0
			Significant	25	23	2		1	0	1

HUMAN RESOURCES

PAYROLL	HR0150N3	Sep-10	Fundamental	0	0	0	YES	0	0	0
			Significant	16	15	1		1	0	1
EMPLOYEE APPRAISALS	HR0240P1	Jun-11	Fundamental	0	0	0	YES	0	0	0
			Significant	8	0	8		1	0	1
PAYROLL	HR0150P2	Jun-11	Fundamental	0	0	0	YES	0	0	0
			Significant	8	6	2		2	2	0

IT

MASTERPIECE SECURITY SYSTEMS	IT0230P1	Apr-11	Fundamental	1	1	0	YES	0	0	0
			Significant	1	0	1		1	0	1

LIFELONG LEARNING

E TEACH	LL0190N1	Aug-10	Fundamental	0	0	0	YES	0	0	0
			Significant	4	1	3		2	0	2

SCHOOL BUDGETARY CONTROL	LL1010P1	Nov-11	Fundamental	0	0	0	NO	0	0	0
			Significant	3	0	3		1		
ICT UNIT OF SECURITY MOBILE DEVICES	LL1065P1	Apr-11	Fundamental	3	2	1	YES	1	0	1
			Significant	1	1	0		0	0	0

COMMUNITY SERVICES

RENT RECOVERY & ENFORCEMENT	CH0060M1	May-09	Fundamental	0	0	0	YES	0	0	0
			Significant	5	4	1		1	0	1
CHILDREN'S SERVICES TAXIS	CS0070P1	Mar-11	Fundamental	0	0	0	YES	0	0	0
			Significant	14	12	2		1	1	0

ENVIRONMENT

BUSINESS ENTERPRISE UNITS	EN0010N1	May-10	Fundamental	0	0	0	YES	0	0	0
			Significant	8	4	4		4	1	3
SECTION 106 AGREEMENTS	EN0020P1	Feb-11	Fundamental	0	0	0	YES	0	0	0
			Significant	18	7	11		11	2	9
FLEET MANAGEMENT	EN0060P1	Jun-11	Fundamental	0	0	0	NO	0	0	0
			Significant	7	0	7		5		
DATA MANAGEMENT PUBLIC PROTECTION	EN0080N1	Mar-10	Fundamental	4	2	2	PART	1	0	1
			Significant	18	8	10		5		1
TECHNOLOGY FORGE	EN0100N1	Apr-10	Fundamental	0	0	0	YES	0	0	0
			Significant	5	3	2		2	1	1

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Project Ref:	FD0080P1
	Main Accounting

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

Directorate:	Finance

DATE OF AUDIT: 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
23	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).	S	Recommendation: 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. *This is the same recommendation made in our previous report.* *Management Response;* *The write off system is in its latter development stages.*	Ongoing	2	**June 2012**	This is being reviewed as part of the Debt Management Project and has been developed already – it will need some final testing prior to implementation

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	Discussion with the Principal 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.		*The system will be implemented as soon as the development has been signed off and once all relevant parties are happy that it meets all requirements.* Management Comment:: 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. 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 be Deloittes referred to above.				

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
27	A sample of earmarked service balances included in general reserves on the March 2010 Balance Sheet were reviewed. 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. 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. Corporate Strategy earmarked service balances at March 2010 totalled £0.270m; evidence was found in the Executive reports of requests for approval of carry forward for £0.233m of this balance.	S	Recommendation: 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). Management Comment:: Requests for carry forward will be reported through the monthly budget monitoring report.	Ongoing	2	June 2012	This is being reviewed as part of the Debt Management Project

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 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. 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.						

Project Ref:	FD0080N1
	Main Accounting

Directorate:	Finance

ACTION PLAN							
Para.	**Original Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
19	A sample of 5 bad debts was reviewed to ensure they had been through the appropriate recovery process prior to write off. Testing identified; - No evidence of contact with the customer by the Enforcement team for in excess of 12 months for 3 of the 5 balances reviewed (for 1 of the balances the period with no contact was in excess of 3.5 years); - No evidence on the system scratch pad of any documentation being requested to support client statements that they are unable to pay debt (particularly	F	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. The resource issues around the recovery of aged debtor balances less than 97 days old need to be 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;	31.3.2011	2	31/12/2011 July 2012	This activity is undergoing a complete review as one of the Flintshire Futures Projects– Corporate Debt Review (LEAN) **As above**

				ACTION PLAN				
Para.	**Original Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
	in the case of deceased service users).

A sample of 14 suppressions was reviewed to ensure appropriate recovery action was being taken by the directorates to recover the debt.

Testing identified;

- The continued use of suppression codes was only appropriate for 3 of the 14 invoices reviewed. No recovery action has been taken on the other 11 accounts since the suppression code was applied to the invoice (in many cases the suppression codes have sat against the invoices for 3 to 4 years).

45 customer accounts were identified with 'Stop markers', all relating to Housing Estates. There are no system generated reminders issued against these accounts, and no formal systems in place for the collection of debt against these accounts (debtor | | - The criteria for suppressing an account;

- The arrangements for monitoring and managing suppressed accounts;

The documentation that should be retained to ensure an adequate audit trail.

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.

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 | | | | |

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	balances are collected by the Estates team on an ad hoc basis). There is inconsistent treatment of outstanding debt by the Estates team and aged debts on these accounts are not passed to the Enforcement team for recovery.		management of accounts with Stop Markers, which sets out; -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. Management Comment: Since this audit was carried out, we have recruited a full-time member of staff to work alongside the current Corporate Debt Recovery Officer. We are also reviewing a large number of existing processes in order to deliver a more efficient, effective service. Resource requirements will be reviewed in full as part of the wider Finance Function				

				ACTION PLAN				
Para.	**Original Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**	
			Review. Operational procedures will be developed and circulated and include clarification on the circumstances in which a 'stop' or suppression may be applied to an account, outlining the process for doing so and detailing future monitoring arrangements. Departments will be requested to carry out regular reviews of suppressed invoices and stop codes.					

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
20	A sample of 3 bad debt write offs actioned in 2009/10 (covering 85% of the total value of write offs in the period from April 2009 to January2010) were reviewed to ensure the write off requests had been appropriately authorised and the reason for the write off was included on the write off request. For all three bad debt write offs tested it was noted that the write off was debited	S	Recommendation: New codes should be set up on the general ledger chart of accounts for the write off of bad debts to ensure all bad debt write offs debited to the ledger are identifiable. Directorate Management need to determine where responsibility for the recovery of debt from deceased service users currently lies, to establish whether this is a function of the Directorates, the Enforcement	31.12.10.	2	Revised arrangements confirmed 05/01/11, to commence w.e.f. 01/04/11	**Coding Arrangements** The consensus from Finance Managers across Corporate Finance is that impairment (bad debt) write offs should be charged directly to the already existing bad debt provision codes, in preference to setting up new detail codes. The agreed procedure will commence w.e.f. 1st April 2011.

Para.	**Original Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
	against the original income code (Revenue account) and not to a separate bad debt write off account on the Revenue account. As the principle risk around bad debt is the risk that unauthorised write offs are posted to the ledger, the sample for detailed testing should have been selected from the ledger, and tested back to source documentation for evidence of approval. However it was not possible to identify all bad debts written off to the ledger as the write offs are not posted to specific general ledger bad debt write off accounts. As a result the sample for detailed testing had to be selected from the register of approved write offs maintained by the Systems and Performance team. Testing from the register of approved write offs does not provide adequate evidence that all bad debts written off to		team or the Legal team. A statement of policy and an operational procedure should be developed for the management of deceased with debt, which sets out; - Responsibility for the notification of deceased with debt to the relevant recovery team; -Responsibility for the identification of next of kin and Executors of the Estate; -Responsibility for the submission of claims against the Estate. -The arrangements for monitoring and managing deceased with debt accounts Management Comment: Coding arrangements will be reviewed and revised as necessary to accommodate user and audit requirements; this exercise will be progressed in conjunction with the Finance Officers' Group (FOG).			30/09/11 (but see related management comment) July 2012	**Responsibility for the Recovery of Debt from Deceased Service Users** This aspect is being dealt with as part of the Flintshire Future Programme. The scheduling of such, within the overall programme, is yet to be determined. As above

ACTION PLAN							
Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	the general ledger have been appropriately authorised. A number of the bad debts reviewed related to community services - financial assessments, with the debts written off on the death of the service users. No formal claims had been made against the estates of the deceased services in any of the cases reviewed on the basis that it was 'never clear' who was responsible for making the claims against the estates. As a result of failing to submit claims against the estates of deceased service users the Authority is failing to collect on debt which is potentially recoverable.						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
23	PwC make 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). In addition testing at paragraph 20 confirmed that there is no consistency in the treatment of bad debt write offs on the general ledger, with bad debt write offs generally being debited against income codes and not against separate bad debt write off	S	Recommendation: In accordance with the recommendations made by PwC following the 08/09 year end audit it should be ensured that the new database for the write off of bad debts is implemented as soon as is practical to do so. Management Comment: In accordance with the recommendations made by PwC following the 08/09 year end audit it should be ensured that the new database for the write off of bad debts is implemented as soon as is practical to do so.	31.03.11	2	**31.12.11** **July 2012**	This activity is undergoing a complete review as one of the Flintshire Futures Projects– Corporate Debt Review (LEAN) As above

				ACTION PLAN			
Para.	**Original Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
	codes (as a result it is not possible to reconcile approved bad debts on the bad debt register to the total of bad debt write offs on the general ledger). Discussion with the Principal Systems and Performance Officer confirmed that the new database for the management of bad debt write offs is currently under development with IT, with testing of the system due to commence before the beginning of April 2010. The system will 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. The new database will not address the issue of inconsistency in the coding of bad debt write offs on the general ledger.						

Project Ref:	FD0090P1
	Capital Programme

Directorate:	Finance

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
17	We selected a sample of 6 virements for testing and confirmed that a standard form had been completed and signed by an officer in Corporate and Capital Accounting, the reason for the virement was fully documented. However, we noted that the adjustments do not necessarily accord with the definition of virements detailed in FPR4. To enable effective monitoring of capital programme performance there should be clearer recording of virements to ensure compliance with FPR 4.	S	Recommendation: 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. Management Comment:: A reminder will be issued to all Directorates on the need for compliance.	31.01.12	2	31.08.12.	As mentioned to the Audit team at the time of the audit, most of the budgetary movements recorded on the standard forms are not by definition virements; FPR4 defines such as …'movements of funds from one budget head to another so that the intended action represents a change from that originally agreed'… . As clearly indicated on the forms (and supporting documentation), many of the movements reflect the introduction of new funding (note - FPR 4.4 states that …'Virement does not create additional spending power for the Council as a whole'…); the introduction of new funding clearly does. New funding in most cases comes by way of new specific grants, but also by way of CERA, and unsupported (prudential) borrowing.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	There is no formalised process for CAMG to consider and recommend virements to Executive. We also noted that there appears to be an inconsistency relating to virement between the Constitution and FPR which should be clarified.						Some movements (which are again not virements by definition) reflect reduced funding, in circumstances where grant entitlement has decreased, savings identified or rephasing recognised. Other movements record transfers from those corporately held budgets (Health & Safety/Feasibility Studies), as approved at CAMG. All of the above movement types are specifically referenced within the appendices to the quarterly capital monitoring report to Executive (within the Appendix headed 'Changes During This Period'). Further movements reflect the reallocation of budgets to specific cost centres within a particular service e.g. Private Sector Renewal and Improvement (again not virement by definition within FPR4).

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
							The few true virements (by way of the FPR definition) that are required, are also incorporated in the quarterly capital monitoring report to Executive (within the Appendix headed 'Changes During (the year)'.
							Note – All virements/budget movements are dealt with centrally within Corporate & Capital Accounting, thus ensuring absolute consistency of approach.
							A new form will be produced for non-virement capital budget movements, to complement the standard form.
							FPR 4 will be reviewed as necessary in the light of the above comments.

Project Ref:	FL0300L1
	Enforcement

Directorate:	Finance

ACTION PLAN						
Para.	**Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
18	Detailed testing confirmed that sales orders are raised on a timely basis after provision of the goods / services, and invoices are raised on a timely basis following receipt of the authorised sales order. Testing identified 7 sales orders (out of a sample of 42) which had not been authorised prior to being processed. 5 of these orders related to E&R, representing 23% of the sample tested; 2 of these orders related to Finance, representing 10% of the sample tested. Failure to ensure the appropriate authorisation of	S	Recommendation: Directorate finance teams should ensure that sales order forms are correctly authorised before they are processed. Management Comment: FEM to remind FOG and Departmental Managers of this responsibility	March 2009	2	March 2010 / October 2010 / Feb 2011	This requires coordination with the AR/AP control team review of sales order process. The Finance Function Review will incorporate a review of finance function within directorates and any new provisions should include this recommendation. Timeline revised alongside FFR programme. Revision of Financial Procedure Rule 9 Income and Expenditure will be included in the next annual review

ACTION PLAN							
Para.	**Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
	sales order forms prior to processing may result in incorrect or inaccurate invoices being pursued by the Enforcement team.					31.12.11	This activity is undergoing a complete review as one of the Flintshire Futures Projects– Corporate Debt Review (LEAN)
						July 2012	As above
29	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. 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	S	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. 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	June 2009	2	March 2010 Oct 2010 Sep 2011	Significant resource issues have resulted in a delay in full implementation of this recommendation. Corporate Debt review will incorporate performance management of all stages and reporting options. Timeline adjusted to reflect the project timescale. 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.

ACTION PLAN							
Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	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. 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). 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,		to progress the development of the aged debt 'trend analysis' report. Management Comment: Process under review			July 2012	As above

ACTION PLAN							
Para.	**Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
	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.						

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

DATE OF AUDIT: AUGUST 2011

Project Ref:	FD6150P1
	Housing Benefits

Directorate:	Finance

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3.3.9.1	We looked at the current list of open calls logged with the Revenues and Benefits Helpdesk and found that many calls are taking unacceptable periods of time to resolve. A snapshot taken of the open calls list as at 6th April 2011 revealed many calls originally logged 4 to 5 months previously. Calls logged are taking in many cases well over a month to refer to Civica. One call logged on 7th March 2011 was not referred until 13th May 2011.	S	Recommendation: It is recommended that consistent procedures be put in place to more effectively monitor and resolve Helpdesk calls. All calls should remain 'open' until full resolution of the issue and only then signed off to assist Benefit assessors in keeping track of their calls. Management Comment:: Consistent working practices will be established and procedures drafted that clearly stipulate the process to be followed when;	31.12.11	1	**Dec 2011**	New, consistent arrangements implemented. Will need to be reviewed once the new structure is in place as part of FFR.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
			• Logging calls • Allocating calls • Closing calls • Placing calls on hold • Providing progress updates These procedures will be circulated to all staff and compliance will be checked regularly by the Systems & Performance Team Leader.				
3.3.9.4	Monthly reports are produced on the Revenues and Benefits Helpdesk call targets. We looked at the report for April 2011 and this showed a missed target ratio of 32% although this is based on figures given which didn't equate to the total number of calls listed on the report. The report was found to be of poor quality and contained little information.	S	Recommendation: Reporting and monitoring of performance within the Revenues and Benefits support team should be enhanced to support better working practices. Management Comment:: Improving and developing a performance framework to monitor	31.12.11	2	Aug 2012	Helpdesk call logged with IT for further development of reporting accuracy. Other actions are pended awaiting the completion of FFR.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
			evaluate the effectiveness of staff in the Systems team was identified and set as an objective for the Systems & Performance Team Leader when last formally appraised in late 2009. Unfortunately, the suspension of the appraisal process whilst the Finance Function Review is implemented and the additional management responsibilities taken on by the Systems & Performance Manager since January 2010 have meant that this has not yet been formally assessed. This will become an immediate priority post FFR.				

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

DATE OF AUDIT: OCTOBER 2011

Project Ref:	LD0220P1
	Data Protection

Directorate:	Legal & Democratic

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3	The Children's Services Offices are due to be closed during December 2011. The future arrangements are yet to be finalised and the future location of the service is yet to be confirmed. 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	F	Recommendation: 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. Management Comment:: Part of the closure plan.	Dec 11	2	**Dec 2012**	This is still part of the closure plan, which has now been delayed.
5	At present only a handful of Social Workers based at Connah's Quay have received data protection training.	S	Recommendation: All Children's staff should be trained and kept up to	Ongoing	1		All new and existing staff have been informed of the importance to attend Data Protection Training.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	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.		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. Management Comment:: All staff have been issued with details of training and instructed to attend the data protection training as soon as possible.				We are aware that this is a live issue and open to breeches. In this respect only the senior manager reviews the files.
1	The Data Protection Lead Officer, has recently written and introduced a policy on the security of documents containing personal information. The policy was agreed by the Corporate Management Team (CMT) on 11th January 2011. The policy was available as a draft version on the infonet prior to approval at CMT.	S	Recommendation: 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.	Oct-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
	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. 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 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 Comment:: 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.				

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	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.						

DATE OF AUDIT: March 2010

Project Ref:	LD0220N1
	Employment Practice Codes

Directorate:	Legal & Democratic

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

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	completed at short listing or offer stage. The CRB policy (5.2) states that anyone applying for a post should disclose details of any convictions (including spent) and cautions, reprimands or warnings. There is no section on the application form for this to occur, details are only obtained upon receipt of the CRB results					01.06.2011	Further changes in legislation relating to absence will require further amendments to the application form. Currently we are sending out an addendum relating to this whist the final changes to the application form are being approved.
						31.12.11	CRB processes are being reviewed , a paper has been prepared for CMT relating to CRB checks and how to continue – this also links through the the HR Service Review which will require a full review of current processes -
						23.2.12	CRB Report presented to CMT on 14th Feb 2012 awaiting decision re agreement. All CRB Processes mapped out in full.

Project Ref:	HR0150N3
	Payroll

Directorate:	Human Resources

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
16b)	From the ten claims examined the following information was identified: 7/10 overtime claim forms were found to have been authorised by an officer who was not present on the list of authorised signatories. It was noted that the overtime claim form differed throughout directorates.	S	Recommendation: Overtime claim forms should be standardised and all relevant information should be included. Management Comment:: New elements of pay have been created and are being phased in with the aim of replacing existing overtime claim forms. Two revised forms were introduced at the time of the introduction of Trent's Fast Input facility in November 2009. Forms will be reviewed and standardised closer to the time of Single Status being implemented into Payroll.	31.12.11	2	**31.12.12**	Further review and standardisation of forms was put on hold pending Single Status being implemented into Payroll. Single Status has been recently advised as being effective from 01.11.12. The intention is still to align the audit recommendation with Single Status, for which extensive work will be required to review existing element codes & the likelihood of new codes being required following the publication/implementation of a revised Single Status collective agreement

Project Ref:	HR0240P1
	Employee Appraisals

Directorate:	Human Resources

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
11b)	As stated previously none of the sample were aware of the existence of an electronic training form/schedule and the identity of the nominated directorate contact was not always known. Therefore training requests from appraisals are not generally forwarded electronically to the Corporate Training Unit by the defined date to enable them to compile their Annual Training Policy. Discussions were held with the Training Unit who stated that they receive very few training requests as a result of the appraisal process.	S	Recommendation: As described in section 10, consideration should be given to the compilation of a bespoke, corporate database to capture, classify and analyse training needs. Uniform reports could then be produced detailing the corporate training needs from each directorate which in turn could be forwarded to the Corporate Training Unit by 30th September Management Comment:: The development and introduction of a Lotus Notes	Dec 11	2	**March 2012**	The next phase of I Trent has been implemented; managers who have registered onto the system can now input data from appraisals they have conducted. This information can then be accessed by Corporate Training for the development of training plans. In addition, Conway County Borough have developed a new Personal Development system. I have contacted the Training Manger at Conway, and we will discuss this at our next North Wales Training Group meeting on the 5th of March. If suitable, this could be implemented within Flintshire.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
			type database system to be explored.				

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

DATE OF AUDIT: June 2011

Project Ref:	HR0150P2
	Payroll

Directorate:	Human Resources

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
6c)	From the 10 leaver forms examined the following information was identified: • 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	S	Recommendation: Standard leaver forms should be used across the Authority 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.	30.09.11	1	**7.3.12**	Automated HR Forms database has gone live with a pilot group this week and managers will be using this system to submit all HR forms. All areas of the organisation will use the same forms to ensure consistency and discussions will be commenced to gain buy in from schools with the intention of Schools using the standardised forms in future.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	• 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 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 • On one occasion a T36 form (LGPS Notification of Termination) was held on file instead of a leaver form • Catering use their own version of a leaver form						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
10	A sample of 5 one off payments were selected for examination. The results of testing showed that: • On all occasions a standard One Off Payment form had been fully completed and appropriately authorised and were present and agreed to the payroll system • Finish dates are not recorded on the payroll system which shows staff as being active and not recorded as a leaver • Staff job titles are recorded on the payroll system as one off payments This issue was raised at the previous audit where the management comment was as follows "Groundwork in reducing the number of position titles commenced as part of the Trent	S	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. Management Comment:: Work is currently in progress to address this issue: vacant one off payment positions have been closed, pending the ending of this practice greater scrutiny of new positions/claims is undertaken, officers certifying officers of the said claims are being contacted to advise that the practice has to end.	31.12.11	1	30.09.11	

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	Improvement Project in March 2010. Other issues identified by the Project have taken precedence however work to address this issue has recently recommenced" Further discussions were held with the Payroll Project Manager on 24/02/11 with the following comments noted "Not implemented, Seeking Corporate decision/guidance prior to change being made. Original target date of 31.03.11 unlikely to be met, date extended to 30.06.11"						

Project Ref:	IT0230P1
	Masterpiece Security System

DATE OF AUDIT: April 2011

Directorate:	Finance

ACTION PLAN

Para.	Recommendation	Cat	Recommendation & Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
9	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). 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. A test was completed of changes to the audit vendor name and address file which proved that it was possible to	S	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 Management Comment: A paper will be produced 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	After July 2011 (post FM4 upgrade)	2	04/05/2012 (To complete and present report to Head of Finance)	Needs further work. FM4 upgrade problems still requiring a lot of staff input. As Stated recently the current Accounting System (Masterpiece) can not comply completely with the Audit Recommendations. Implantation of the recommendations can therefore only be achieved following the procurement of a new Financial System. A Report outlining the limitations of the Financial System(Masterpiece) is to be prepared for comment by the Head of Finance following the FM4 upgrade and the Implementation of the P2P project (Pilot went live 25th November)

ACTION PLAN

Para.	Recommendation	Cat	Recommendation & Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	see the user id of the user who originally set up the entry and the user id of the user effecting the change. 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. 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.		consider. 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.				The report has not yet been completed due to a change in staff taking on the responsibility of the Financial Systems. Following this settle-in period, concentration can now be focussed on completing this report. Although, as has been previously mentioned, recommendations can only be truly met by the implementation of a new system.

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

DATE OF AUDIT: August 2010

Project Ref:	LL0190N1
	E-Teach

Directorate:	Lifelong Learning

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 for any corrections to be made. The payroll cannot be run until all the errors have been addressed. Our review revealed that the data exported from E-Teach	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-Teach data exports. This was previously recommended in 2007. Management Comment:: None	Oct 2010	2	March 2011 Revised date Oct 2011 TBC 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 for implementation of revised timetable. As above – still no new date.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	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. 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						
6	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. Finance officers with access could in theory alter information prior to 'sign off' each month. The list of users was found to	S	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 Authority's Security of Information Policy. This was	30.03.11		Oct 2011 TBC	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 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 for implementation of revised timetable.

				ACTION PLAN				
Para.	**Original Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
	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. There are no regular reviews of the users as to their continued requirements. 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.		previously recommended in 2007. 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.				

Project Ref:	LL1065P1
	ICT Unit

Directorate:	Lifelong Learning

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	31/10/2011	2		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
			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.			31/10/2012	All of the 12 Secondary schools have received training on the encryption software. 31 of the Primary schools have received training. 13 more visits are currently scheduled before Whit. The training is being delivered as appropriate to the capacity of the team. The whole process requires commitment from the schools as well as the ICT Unit. The revised date is in my opinion a realistic one.

Project Ref:	CH0060M1
	Rent Recovery and Enforcement

Directorate:	Environment

ACTION PLAN							
Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
18	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. 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.	S	Recommendation Debts 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.	July 2009	2	**March 2010**	A Rent Arrears Working Group has been set up to review in detail the current rent arrears policy and procedure with a view to updating and amending where necessary. A separate Former Tenants Rent Arrears Working Group will be set up to review the current Former Tenant Rent Arrears Policy and Procedure. As part of this review, all former tenant arrears recommended for write off will be audited by the Neighbourhood Housing Manager to ensure compliance with the Policy. Further work will also be undertaken on the viability of using an external agency to trace and collect former tenant arrears. The revised Allocations Policy that was adopted in February 2009 now includes that Housing applicants can be deducted points for any former tenant arrears still outstanding (10 points per £100).

ACTION PLAN							
Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	garage tenancies) are to be listed for write off straightaway. FW2 Tenants deceased where there are no funds in the estate. FW3 Tenants who cannot be traced (NFA). FW4 Tenants where a bankruptcy order has been attained. FW5 Debts over six years old are considered out of time (Statute Barred). FW0 All debts where the Councils debt collection service has failed to collect. FWC A Credit Balance. If a recommendation is made to write off rent arrears, agreement is sought from the Rents Manager who then compiles all data for approval		Management Comment 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.			Sep 2010 Jan 2011 May 2011	A new dedicated Income Management team has now been agreed by Scrutiny and will be in place in September 2010. Part of this new team's responsibility will be to review in detail the former tenant rent arrears procedure and process to increase the collection of former tenant arrears. One particular area that needs to be looked at is the methods of recovery used in collecting former tenant arrears i.e. looking to use an outside debt recovery company The revised implementation date of September 2010 coincides with the expected date that the new Income Management team will be in place. The revised implementation date of January 2011 coincides with the expected date that the new Income Management team will be in place. As above – revised implementation date.

ACTION PLAN

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	On a quarterly basis individual debts to be written off must be presented to the Head of 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. On receipt of the authority from the Head of Finance to write off the accounts, the Rents Office makes the necessary adjustments to the individual accounts and the authority is filed for future auditing. 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					July 2011 Nov 2011	A new dedicated Income Management team has now been agreed by Scrutiny and will be in place in July 2011. Part of this new team's responsibility will be to review in detail the former tenant rent arrears procedure and process to increase the collection of former tenant arrears. One particular area that needs to be looked at is the methods of recovery used in collecting former tenant arrears i.e. looking to use an outside debt recovery company The new dedicated Income Management team started on the 11th July 2011. 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.

Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	ACTION PLAN						
	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.					Jan 2012	The new dedicated Income Management team started on the 11th July 2011.
						May 2012	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

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Project Ref:	CS0070P1
	Children's Services Taxis

Directorate:	Community Services

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
8	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 then the procedure below is followed. In response to the above for	S	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. If the existing system is to be continued: Part B of the TRF should always be fully completed in	31.10.11	1		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. The current arrangement is working. The amount of new requests has dropped considerably and many are follow on requests for respite care. I therefore think it unnecessary to set up geographical areas for the service , however we are looking at it for the School Transport Contracts.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	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. The operators asked to provide quotations are selected based upon those that operate within that geographical area, availability, staff knowledge and past experience. 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)		respect of • 3 operators and quotes obtained • The successful operator and cost per day • Contract number • Approved by • Date 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. 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. Where operators have stated				

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ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	The above process appears rather onerous considering the relatively low value of the transactions involved. 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. 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. The following was noted: Part B of the TRF was not always fully completed by Transportation staff. 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		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. Management Comment Meeting held with Procurement to discuss – Geographical areas already in place – hope to implement for October tenders New transport form is a huge improvement though it uses much more paper (but not a huge volume). Faxed quotations will be done unless emergency contract situation as far as I remember.				

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	Transportation Section staff It was therefore not possible to independently determine whether value for money had been obtained. 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. • 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 It should be noted that there is no provision made on the TRF						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	for any additional comments.						

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

DATE OF AUDIT: May 2010

Project Ref:	EN0010N1
	Business Enterprise Units

Directorate:	Environment

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	Recommendation: The service should arrange for the business plan to be completed and approved by the Director. Management Comment: A business plan will be prepared based on the findings of the options review currently being undertaken by Grant Thornton.	Aug 2010	2	February 2011 **30.06.11** **November 2011**	Service Review and Grant Thornton Options Review still on-going. Business Plan to be drafted on findings of the above. 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. A mid year review of the revenue budget and business occupation will inform the development of the plan

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ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
						Feb 2012	The Grant Thornton report was completed in July 2011. The conclusions were drawn on the market buoyancy since the report and evidence within in were backward looking and comprised budget data and assumptions regarding capital land values which are no longer appropriate. A further internal report to take account of the reality of the present situation was earmarked to be undertaken when the position and economy / budgets stabilised.
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.	S	Recommendation: Consider the findings within this report and the pending options review to determine how the service can operate more efficiently. Management Comment:: Options Review will detail efficiencies and recommendations to be considered for implementation.	Aug 2010	2	March 2011	Grant Thornton Report is on-going, options review will detail efficiencies. As above

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	Joint losses were reported in: 2006/07 - £72,468 2007/08 - £103,379 2008/09 - £12,235 2009/10 - £82,305 (Estimated) A discussion was held with the Enterprise Manager regarding these losses and one main factor was reported. The rental costs were circa £40K when the management of both sites was undertaken externally by Flintshire Enterprise Limited. The sites were re-valued by the District Valuer and a rental cost of £203K per annum was identified and charged to the services budget. It was understood that the previous rental had not been reviewed for a number of years and had remained at that level. The current rental costs have remained constant since 2009 and do not appear to have been reviewed.					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. A mid year budget review was planned just prior to the deadline for submitting this update. (nov 2011)
						Not known	A clear revenue budget plan which is very dependent upon staff costs can only be finally established once a service review presently undertaken is completed. An important step towards that is to settle the temporary and contractual arrangements for staff so that the outgoings are clear and can be projected in to the future. Until the service review and other outcomes which affect revenue are know this cannot be done clearly.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	A further review could potentially result in increased rental charges to the service. 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.						This change in revenue outgoings compared to any previous complement of staff and budgets which fed into the Grant Thornton report will put the business centres into a very different position

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	Recommendation: The service should compile a capital investment plan for the business centres. Management Comment: Investment Plan and associated budget to be determined by Corporate Property Services.	Dec 2010	2	April 2011	Grant Thornton Report is on-going. An Investment Plan will be considered once the report is finalised.
						October 2010	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.
						November 2011	The mid year of the revenue budget and business occupation will inform these developments.
						Feb 2012	Due to changes during the year and the weakness of the local economy additional data is being collated. The announcement of the Deeside Enterprise Zone at the start of the year also needs to be considered and whether this has any effect on the centres. Further work is being done since the Grant Thornton report is historic, based on prior historic information and did not take account of the market and these developments.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
							The Centres are in a service review and any revenue budgets and other key costs would be dependent upon that review. The commencement of the service review was initiated at the end of 2011. The service will be putting forward a capital request proposal in the interim.
20	It was established that Flintshire Business Services took over the operation of managing the two business centres from Flintshire Enterprise Limited in 2004/5. In October 2006, it was reported to the Executive Management Team that a rent review will be required as the level of rental income was significantly below market levels. It was further reported that a rent review had not been undertaken for a number of years however it has not been possible to identify precisely when the last rent review	S	Recommendation: The service should ensure that rent is reviewed on an annual basis and that any adjustments made to the rent are appropriate and in line with market value. Management Comment: Rent review will be implemented as directed by Valuation and Estates.	Dec 2010	1	April 2011 December 2011	Will be determined once the Grant Thornton Report has been completed. Following the transfer of the business centres to valuation and estates, property professionals will carry out an annual overview assessment of whether rental increases can be achieved subject to lease contract agreements. The initial assessment of the viability of taking forward any rental reviews will be undertaken prior to the end of the year following a review of budgets. In future years this annual assessment process will be undertaken at an appropriate time of year. Uplifts will be assessed for being practical in size and implementation bearing in mind officer cost and time and other factors. Subject to this reflection process implementation of discussions to increase rents may be entered where appropriate.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	occurred due to a lack of evidence. It was identified that the rent review had to be readdressed by the Corporate Management Team as the initial report had incorrect figures recorded. A report was presented to the Corporate Management Team in October 2007 recommending options to progress the rent recovery and for budgetary provision to be made available. A phased rental increase was introduced which was completed in 2009.					**February 2012**	The Valuation and Estates service now annually reviews the rentals at the end of each year to assess whether any formal review mechanism should be instituted. The present economic climate means it is unlikely formal action will be appropriate any time soon.

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

DATE OF AUDIT: February 2011

	ACTION PLAN						

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3.7b	Our discussions with officers highlighted that there is not a consistent view of the interpretation of the national regulations and policy guidance for s106 and how it applies in Wales.	S	Recommendation: Planning officers in liaison with legal services should consider the implications to the Council of the Community Infrastructure Levy and the impact on s106 policy. There should be a clear interpretation of policy and law to enable officers to apply a consistent approach which maximises contributions in line with the legislation. Management Comment:: With regard to 106 Local Planning Guidance will set out the terms with respect to what contributions will be sort and for what level	Draft LPG published June 2011	2	December 2011 for draft LPG	The publication of the LPGN has been delayed following work with other North Wales authorities to develop a consistent way forward with respect to Section 106s and CIL. The findings of the FCC audit report were a baseline for this piece of work and were widely accepted. It has been initially hoped that a draft LPG could be created that is consistent with all N Wales authorities but given the particular circumstances of each authority with respect to their development Plans this has not been feasible. FCC will return to it proposals to develop an FCC only LPG, but it will reflect practices else where. Toolkit for CIL and Section 106 Agreements to be agreed at North Wales Planning Officers Group in March 2012. LPG 23 on educational contributions has been drafted and consulted upon which addresses the levels of contributions required. This will form

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
							one a series of revised LPGs.
						June 2012 for draft LPG	Final draft to go to Planning Protocol Working Group in March 2012.
3.13	A better understanding of the priorities for particular areas or wards based on strategic Council policy would provide the negotiating Planning Officers with a guide and aid Service Areas. Members interviewed wished to have greater involvement in the possible setting of priorities for s106 monies in their wards. They expressed the opinion that they do not influence the s106 process despite its importance to their communities, commenting that the first they are aware of a potential s106 is at Planning Committee at which point it can feel too late to influence the s106.	S	Recommendation: The development of a community 'priority list' created by Members in association with Town and Community Councils and officers should be considered. Management Comment:: Draft LPG to be shared with Town and Community Councils Community Priority List would inform LDP evidence base – hence not significant	June 2011	2	**Dec 11**	Will share the draft LPG by December 2011 as set out above.
						June 2012	Will share the draft LPG by June 2012 as set out above.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3.24	One of the criticisms generally of the s106 process is that it can delay planning approvals. We selected a sample of 25 approvals with s106 relating to open space obligations. This showed that the time taken from presentation of the application to the Planning Committee and the signing of the S106 agreement varied from 5 days to 1129 days, with an average of 35 weeks.	S	Recommendation: The Authority should consider specifying in policy guidance and in planning committee reports that any s106 unsigned one year following the conditional approval by Planning Committee should be returned to Committee and be judged against the planning policies and supplementary guidance in force at that time. Management Comment:: This will be incorporated into the Implementation Section of the LPG	June 2011	1	By end of 2011 to address all outstanding 106s	Will be shown in the LPG. Database of all unsigned Section 106s now completed. Where appropriate steps will now be taken to return these to Committee.
3.27	Good practice proposes that Members, local residents, community groups and town and community councils should be engaged in the s106 process. They should be made aware of potential applications that may have negative impacts for their local area and be involved in developing priorities for any money that s106 may generate. However, the	S	Recommendation: A protocol on the role of Members should be developed to guide how they should be involved in s106 agreements. Management Comment:: This will be specified in the LPG	June 2011	2	Dec 2011	Will be incorporated in draft.

ACTION PLAN							
Para.	**Original Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
	Authority and members need to be mindful of the Planning Code of Practice and ensure that any member involvement does not give rise to conflicts of interest.					June 2012	Will be incorporated in draft.
3.28	As 3.27	S	Recommendation: A community engagement policy should be developed to include how the community and general public can be consulted and informed of s106. Management Comment:: This will be specified in the LPG	June 2011	2	Dec 2011	Will be undertaken at Planning User Groups for Town and Community Councils and Councillors in Spring 2012.
						June 2012	Will be undertaken at Planning User Groups for Town and Community Councils and Councillors in Spring 2012.
3.29	As 3.27	S	Recommendation: Training should be offered to all Members on s106 and this should be extended to Town and Community Councillors. Management Comment:: Would be undertaken as part of the roll out of the LPG	June 2011	2	March 2012	Will be undertaken at Planning User Groups for Town and Community Councils and Councillors in Spring 2012 and form part of new Councillors Planning Training.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3.44	The Authority has a policy for Planning obligations within the UDP – Policy IMP1 Planning Conditions and Planning Obligations. This sets out the range of infrastructure, facilities and services for which contributions may be sought. The UDP policy is supplemented by a range of Local Planning Guidance (LPG) Notes; these are available on the County Council website.

A general overview of the policy guidance highlights that the guidance is not particularly user friendly. The Head of Planning Policy acknowledges that the LPGs could be improved in terms of layout and clarity. Ideally the LPGs should be reviewed and updated on a regular basis to ensure that they reflect the current requirements of the Authority. | S | Recommendation: Local Planning Guidance Notes relating to s106 should be updated. Consideration should be given to preparing an over-arching planning obligations policy which includes the Authority's approach to viability analysis. Members should be involved and consulted in the policy design process and there should be early engagement of developers and stakeholders, such as Town and Community Councils.

Management Comment:: This will be specified in the LPG | June 2011 | 2 | Dec 2011 | Will be undertaken at Planning User Groups for Town and Community Councils and Councillors in Spring 2012. |
| | | | | | | June 2012 | Will be undertaken at Planning User Groups for Town and Community Councils and Councillors in Spring 2012. |

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3.50	Members and officers will be familiar with s106 contributions for play and open space recreational facilities. Our discussions with the Head of the Play Unit highlighted that LPG 13 Open Space Requirements needs to be updated to ensure that it meets the needs of local communities in a way that is sustainable for the Council. A key issue for the Authority is ensuring that it has the resources to maintain play areas. Leisure Services have submitted a draft Play Strategy for approval to the November meeting of the Executive. A key element of this strategy will be the completion of a comprehensive analysis and audit of play facilities in the County. S106 contributions will be an important source of funding to support the delivery of this strategy and so it is important that the planning policy is robust.	S	Recommendation: LPG 13 needs to be updated to ensure that it meets the current requirements of the Authority and supports the delivery of the Play Strategy. Management Comment:: This will be specified in the LPG	June 2011	2	Dec 2011 June 2012	See 3.7b above See 3.7b above

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
3.51	Although the LPG allows for contributions for developments of two or more houses this has not been applied in practice on the basis that there would be too many items going to Planning Committee and they are dealt with by delegated powers. This has resulted in an inconsistent application of the policy. However, to resolve the issue the constitution was amended in August so that unilateral s106 agreements for play equipment can be introduced on developments below 10 dwellings even where the decision is to delegated to officers.	S	Recommendation: There should be consistent application of the thresholds in LPG 13 to ensure that the Authority is not missing out on contributions Management Comment:: Would be set out in the appendices of the LPG	June 2011	1	Dec 2011	See 3.7b above
3.67	Monitoring and enforcement of agreements is a task that has been neglected. There is limited monitoring of s106	S	Recommendation. Regular monitoring reports should be compiled which show what agreements have been signed, the progress of	September 2011	2	Feb 2012 to establish work programme	Results of the pilot area work will be shared with Planning Protocol Working Group on 27th Jan with a work programme for further priority areas

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	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.		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. Management Comment These would be reported to the Planning Protocol Working Group.			March 2012 to establish work programme	Results of the pilot area work will be shared with Planning Protocol Working Group on 23 March with a work programme for further priority areas
3.68	See 3.67	S	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. Management Comment These would be reported to the Planning Protocol Working Group	September 2011	2	Feb 2012 to establish work programme	Results of the pilot area work will be shared with Planning Protocol Working Group on 27th Jan with a work programme for further priority areas
						March 2012 to establish work programme	Results of the pilot area work will be shared with Planning Protocol Working Group on 23 March with a work programme for further priority areas

Project Ref:	EN0080N1
	Data Management – Public Protection

DATE OF AUDIT: March 2010

Directorate:	Environment

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
1b)	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. 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	F	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	September 2010 (for consultation with IT & APP)	2	Feb 2011	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. 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.

**ACTION PLAN**
Para.	**Original Test result / Implication**	**Cat**	**Recommendation and Management Comment**	**Original Agreed Implementation Date**	**Status**	**Revised / Implemented Date**	**Management Comment / Progress**
	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. Thishas 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. 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. 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		consistent and accurate manner to ensure that a single premises/customer record exists in the system. 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. 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.			Feb 2011 July/Aug 2011 Dec 2011 March 2012	A trial verification by ICT in the APP Test System is to be undertaken to verify against LLPG in early 2011 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. Testing by IT will now take place in July/August 2011 following an upload of the next release of the APP software. We are still waiting for release date from ICT Still awaiting release date from ICT

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	A report drawn off the system on 22nd October revealed that there are currently 37747 premises not verified. 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. 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. The Authority has set up a Local Land and Property Gazetteer (LLPG) the intention is that all systems across the Authority with land and		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. Consult Corporate ICT and APP to assess if modern software can now undertake the task.				

					ACTION PLAN			

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	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.						

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
5b)	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. 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. IT does not maintain any logs of problems experienced with the system. 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. It is important that all problems	S	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. 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	August 2010	2	Feb 2011 Immediate effect Dec 2011 March 2012	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. The Infopoint page in production. (See above) The link to the Lotus Notes Database has been retained and will be accessed via the Infopoint page. No Reply 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. Still awaiting release date from ICT Still awaiting release date from ICT

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					ACTION PLAN			

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	are diagnosed and reviewed.						

Project Ref:	EN0100N1
	Technology Forge

Directorate:	Environment

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 been expressed consistently by the Legal Section ever since Technology Forge was purchased without any prior consultation with the	S	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 Management Comment: 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	Mar 2011	1	**Sept 2011** **Nov 2011**	Land Registry data package has been purchased by legal. Arrangements are being made with GIS (Geographical Information System) Managers to set this up. 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. Further work to programme and plan the support work this will require will be necessary. Further workload management meetings have been set with legal services.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	Legal Section." 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. The information required by Technology Forge users is the lease, deed packet and plan information. 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. The majority of leases and deed packet information is currently held in a hard copy format. The Solicitor		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.			Feb 2012	Geographical information has been provided to the Environment Service Geographical Information datasets. This aspect of the work has therefore been completed in principle. The information will then be loaded across to TF (Technology Forge). Following the identification of the Valuation and Estates Service as the authority pilot service for the Electronic Data Records Management System (EDRMS) a new and separate project using equipment and mechanisms as part of that initiative will look at lease and deed information as part of a project plan.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	(Conveyancing) 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" Discussions were held with Records Management who confirmed that these records are held securely in a fire proof environment. 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.						
12	All staff questioned were generally aware of the legislation, best practice and accounting practices that governed their module/area.	S	Recommendation: All module leaders should be aware of the total number of properties for which they are liable for maintenance	July 2011	2	Dec 2011	Quality Management System has been externally stage 1 audited on 19 July by the BSI and will be audited further at the end of November.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	However, not all officers were aware of the total number of properties for which they were responsible. The Senior Technical Officer explained that the legal tenure of a property was not always recorded on the system (particularly leased properties). As such it was not always possible to determine whether it was the responsibility of FCC or the responsibility of the leaseholder to carry out an Asbestos, Disability, Condition surveys etc. There was not always documentary evidence that officers were complying with the requirements of various Acts, regulations and guidance etc. Ideally each module leader should have a definitive total population i.e. 1300 buildings (which they are responsible for). There should then be an action plan to carry out an		(including properties which are leased out to other organisations, individuals etc.) A system should then be devised to evidence the fact that each module is complying with the legal, regulatory and best practice requirements governing the particular area (this could be linked to the Quality Assurance System) Further assurances should be sought from Technology Forge as to whether the system can cope with the new method of accounting valuation Management Comment:: This will be dealt with through a number of work streams: • The implementation of the valuation module • The development of a Quality Management System within Valuations and				This will cover the Valuation and Estates element of the modules. Similar reviews are being undertaken by other services with responsibility for their respective modules. Design Consultancy & Corporate Property Maintenance has, up to now, had their own Quality Management systems. However, now that the two sections have been brought together as one it is proposed to re-draft the Quality Assurance Documentation. Unfortunately, a delay in the re-structure has meant that little progress has been made on this task to date. The Capital Accounting Module has been updated to allow for the requirements of IFRS. CIPFA have confirmed the approach to componentisation. Training in using this will be given as part of the implementation of the module which is to commence with a data load in Sept 2011. The previous years' transactions and the current Financial years' valuations will be recorded on the system once the data load, testing and training have been completed which is planned to be by the end of the calendar year 2011.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	inspection, condition survey etc. within a defined timescale, as detailed by the legislation, best practice, regulations etc that govern the area/module e.g. visit all buildings within 12 months as per Control of Asbestos at Work Regulations. If the above was in place staff could then demonstrate for each module their progress against defined targets and legal timescales. It is appreciated that some modules are governed by a legal timescale, WAG Target etc whereas others a target defined by FCC. Additionally some concerns were expressed regarding the capacity of Technology Forge to deal with the imminent changes set to impact on accounting regulations. At present the accounting regulations are governed by SORPS and the Royal Institute of Chartered Surveyors. However, from April 2010 it will		• Estates (Corporate Property Maintenance already utilises a system) • Regulatory, ;legal, best practice approaches will flow from membership of relevant professional bodies, system updates to reflect regulatory change, procedural and policy changes with the Council and attendance at benchmarking groups Technology Forge have advised that the new method of accounting valuation should be available for use in April 2010. This, we are advised,, will facilitate the new procedures or at least Tf's interpretation of them. The RICS and CIPFA are yet to release formal guidance on this specific issue.			**April 2012**	Design Consultancy and Corporate Property Maintenance have reviewed their procedures. Valuation and Estates have also reviewed their procedures and have instigated a Quality Management System which is intended to obtain BSI approval in April 2012.

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
	be governed by the International Finance Reporting Standards. A meeting with CIPFA is planned for January 2010 for further details on the new methodology. Meetings have been held with TF with a view to establishing as to whether the system can cope with the new method of valuation.						

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 9

REPORT TO: **AUDIT COMMITTEE**
DATE :   **26 MARCH 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 three 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

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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Date: 16/03/2012

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
FD0105R1	Cash & Banking	Adequate	0	3	5
FD7001R1	Review of Processes in Place for Benefits Printing & Enveloping	N/A	0	0	0
IT0210P1	Change Management	Adequate	0	3	3
CS1020R1	Appointeeships/ Deputyships	Adequate	0	4	4
CS2010R1	Governance Arrangements Section 33	Substantial	0	0	0
EN0010R1	Streetscene – Cleanliness of the Public Realm	Limited	0	13	8
EN0020R1	Flood Risk Management	Substantial	0	2	1
EN0030R1	Transportation Review	N/A	1	2	0
EN0125R1	Rural Development Plan	Substantial	0	0	10
	Investigation Report				

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

Streetscene Cleanliness of the Public Realm – EN0010R1

We have made twelve significant recommendations, as follows:

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	An out of date Dog Control Strategy, issued in May 2009, is in place. This strategy has little relevance to the enforcement objectives that the Authority currently faces. There is no strategy in place to address graffiti, fly posting and litter offences included in the Clean Neighbourhoods & Environment Act 2005 There is a policy in place for the highway sweeping element of the Cleansing Service. The policy identifies that the frequencies set for cleaning the various types of footway meets the requirements of the Environmental Act 1990 and the Code of Practice on litter and refuse within the Clean Neighbourhood & Environmental Act 2005. There is no policy in place covering dog fouling clear up,	Dog fouling, littering, bin emptying and graffiti should be included as part of an updated policy and strategy for Streetscene. This policy should be subject to consultation with members.	Significant	Y	Streetscene standards have been approved by Members for bin emptying, dog fouling in enclosed play areas and school frontages and graffiti removal. Performance against these standards will be reported quarterly to Environment and Overview Scrutiny Committee	Streetscene launch date 5th March 2012	S Jones

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	littering, bin emptying and graffiti. These services will form part of the restructured Streetscene Service. There is no enforcement strategy for fly tipping offences in place. Preparation of the policy is still at the draft stage. It is recognised that a formal enforcement policy needs to be in place to assist in the success of any future fly tipping prosecutions.						
2.1	A draft litter plan was prepared in March 2008. This plan was never formally adopted but has been used to determine response time requirements to restore the various types of zones. These are the maximum response times as set in the Code of Practice on Litter and Refuse (2006).	An updated operation plan for street cleaning should be prepared and should form part of an overarching operational plan for the new Streetscene service.	Significant	Y	Sweeping standards have been approved by Members for sweeping operations. Performance against these standards will be reported quarterly to Environment and Overview Scrutiny Committee. New schedules based on the new areas will be developed to achieve the standards	Streetscene launch date 5th March 2012 New schedules 1st May 2012	S Jones
2.3	The four Dog Wardens employed by the Authority are undertaking training in the issuing of Fixed Penalty Notices. The Team Leader responsible for enforcement would like other members of the Authority staff	The recommended enforcement strategy should include details of how the Authority intends to deliver its enforcement activities. The strategy should	Significant	Y	FCC currently has a Residential Enforcement Strategy which sets out how Public Protection will enforce against members of the	September 2012	Scott Rowley / Ian Vaughan – Evans

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	already undertaking enforcement activities to train in the issuing of Fixed Penalty Notices under the Clean Neighbourhoods & Environment Act 2005. For example, Traffic Wardens and Rangers. There are currently no plans in place for the provision of enforcement training and responsibilities for any operational staff involved in cleansing activities.	include its intentions to the types of members of staff that will be trained in and granted authority for the issuing of Fixed Penalty Notices. The strategy should also set out how enforcement activities will complement enforcement activities provided by North Wales Police.			community whose behaviour has a negative impact on the environment. A policy is now required to outline our plans on how we intend to enforce against environmental crime within the County and what we aspire to achieve. Underneath this policy, a protocol for specific procedures will need to be developed to ensure a consistent approach by all parties undertaking enforcement.		
8.1	At present enforcement of dog fouling is applied by means of the issue of a Dog Control Order issued in accordance with the Clean Neighbourhoods & Environment Act 2005. This notice allows trained members of the Authority, Police Community Service Officers (PCSO's) or police officers to issue fixed penalty notices to persons in charge of dogs fouling in public places that fail to clear up the mess. For other relevant offences	The Authority should ensure that any of its officers, or any PCSO's that are paid for carrying out specific patrols on behalf of the Authority, should also issue Fixed Penalty Notices for graffiti and fly posting offences where considered appropriate.	Significant	Y	Flintshire County Council enforcement officers will undertake enforcement against individuals found fly posting / taking part in the act of graffiti. Officers will work in partnership with Streetscene services in order to tackle this crime via an intelligence led approach	Oct 2012	

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	included in the Act, such as litter, graffiti and fly posting fixed penalty notices can be issued without control orders being issued. The Authority issued a Dog Control Order in November 2009 regarding the fouling of land by dogs. Little action was taken to enforce the Act until July 2010. Since then there have been Fixed Penalty Notices issued for dog fouling and litter offences. No Fixed Penalty Notices have been issued for graffiti or fly posting offences.						
8.2	The Current Dog Control Order was issued in November 2009 in accordance with the requirements of the Act but the order has been restricted to cover only one of the five dog control offences included in the Act. Therefore any attempt to enforce any of the other dog related offences would require prosecution using the magistrate's court. Dog Control Orders can be extended to include: • Not keeping a dog on a lead;	The Authority should consult with Flintshire residents and their representatives to establish whether there is local support for extending the Dog Control Order to include the other offences identified in the Act.	Significant	Y	Flintshire County Council has decided to focus upon dog fouling enforcement across the County. There is scope in future years to extend the enforcement to include dog exclusion zones and dogs on leads directives. This has been discussed by Environment Overview and Scrutiny Committee and deemed appropriate to review the extension of such additional directives as soon as the new enforcement	April 2013	Scott Rowley / Ian Vaughan-Evans

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	• Not putting and keeping a dog on a lead when directed to do so by an authorised officer; • Permitting a dog to enter land from which dogs are excluded; and • Taking more than the specified number of dogs which a person may take) on to land. At present the only enforcement activity taking place within Flintshire is carried out by PCSO's, funded by the Authority, providing additional shifts specifically for the identification of dog fouling and litter offences.				responsibility of dog fouling has been embedded within the team.		
8.3	An agreement called Operation 'Snooper Pooper' is in place with North Wales Police. This agreement commenced 1st June 2010 and is due to complete on 30th March 2012. The responsibilities of the PCSO's are clearly defined in the agreement, particularly if the Protocol entered into with North Wales Police in November 2009 is considered. The agreement provides the basis PCSO on which coverage	North Wales Police should be contacted and requested to allow the following amendments to the Operation Snooper Pooper agreement be made: The title of the agreement should be amended to include the whole of Flintshire; A transparent cost model supported by	Significant	Y	The title of the agreement does reflect that the enforcement action will take place across the whole of Flintshire. A negotiated flat rate for any future enforcement support by PCSO's will be agreed, however, it is intended that any additional overtime will cease as soon as the Public	Oct 2012	Scott Rowley / Ian Vaughan - Evans

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	will be provided; this will be on an overtime basis to an agreed monthly schedule. The agreement also includes a set of performance measures. Responsibility for the processing of any Fixed Penalty Notices that are issued and preparation of any file and evidence for court purposes lies with Flintshire County Council. A review of the Operation 'Snooper Pooper' agreement noted the following issues: • This agreement refers to the operation only applying to North Flintshire in its title. • The document includes 5 Performance Indicators; two of these have no relevance to the operation. The document identifies that payments will be based on overtime payments but values of these payments are not included. • Evidence to support payments to be made to North Wales Police is not defined. • The document does not identify how this operation complements any enforcement activity	sufficient evidence to support payments. North Wales Police should include in the document what enforcement activities are undertaken outside of Operation Snooper Pooper and how these enforcement activities complement the operation, particularly in terms of targeting known hotspots and tackling other offences under the Clean Neighbourhoods & Environment Act 2005.			Protection and Streetscene restructures are implemented. Streetscene and North Wales Police will work closely on community priorities which dog fouling could be identified as a local issue and therefore North Wales Police will be bound to work in partnership to enforce against offenders within the community as part of their core business		

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	undertaken by North Wales Police within Flintshire. • The document states that dog fouling and litter are the focus of the operation but no provision for any other offences, particularly in relation to the Clean Neighbourhoods & Environment Act 2005, identified during the shifts that are paid for by the Authority.						
8.4	Operation 'Snooper Pooper' includes 5 performance indicators as follows: • Number of tickets issued; • Number of persons cautioned, • Number of bag dispensers issued; • Number of vets involved as % of those in the County; • Number of pet stores involved as % of those in the county. Only the number of bag dispensers is provided with a target. The aim is to issue 1,000	Management should introduce a relevant set of Performance Indicators for reporting to the Environment Overview & Scrutiny Committee and Executive. In addition to the number of Fixed Penalty Notices issued, indicators could include: The total number of cautions issued, The number of cautions issued by area of the county, The number of complaints / requests	Significant	Y	There are currently no national enforcement targets for dog fouling and therefore it is accepted that it is important to demonstrate the effective approach to dog fouling enforcement which the Local Authority is taking. Performance Indicators will be developed and discussed by Environment Overview and Scrutiny	September 2012	Scott Rowley / Ian Vaughan - Evans

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	bags over the period of the operation. The Number of vets involved as % of those in the County and the number of pet stores involved as % of those in the county are irrelevant to this operation. It was noted that feedback from PCSO's is used to identify hot spots but the actual number of cautions issued is not recorded as a performance indicator. At present only the issuing of Fixed Penalty Notices is formally recorded and reported as a Performance Indicator. It was also noted that of the five valid dog fouling related notices issued in 2011, three of the notices were issued by the same PCSO. It was found that 24 PCSO's have been issued with ticket books for use on their overtime shifts. This situation is similar for the issue of fixed penalty notices for littering. It was found that four notices have been issued during 2011 and 3 of these notices have been issued by the same PCSO.	for clean up in area of the county This information would allow Members to assess the effectiveness of enforcement and preventative activities.					
8.5	Invoices were not looked at specifically as it was noted that	The Team Leader for Enforcement should	Significant	Y	Task is completed.	Implemented	

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	the police do not provide any actual evidence of patrols taking place and the actual salary cost of each patrol. NW Police do not provide the evidence of actual payments made to PCSO's or signed time sheets to confirm that the patrols took place. Alternatively, costs are supported by rotas identifying patrol areas and the length of time of each patrol. As PCSO's can be paid at different rates, the Authority is unable to confirm commitments made prior to the receipt of an invoice. It is recognised that North Wales Police may not want to provide evidence of each PCSO's hourly rates.	require the submission of signed overtime declarations from NW Police to allow confirmation that claimed overtime shift have been delivered.					
8.7	A review of the role of PCSO's was undertaken via Police Community Support Officer.com. This web site identifies the primary roles and responsibilities of PCSO's. The web site describes their role as follows: In support of regular police officers they will work within a targeted patrol area to provide a	The Authority should contact NW Police to determine how Operation 'Snooper Pooper' complements the role of PCSO's. This operation and the related activities provided by North Wales Police should be clearly aligned to provide an effective	Significant	Y	Based on the implementation of restructures within the Directorate, it will be necessary to review the current agreement with North Wales Police to ensure that all partners involved in the reduction of environmental crime are aware of their	Oct 2012	

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	visible and accessible uniformed presence, work with partners and community organisations to address anti social behaviour, the fear of crime, environmental issues and other factors which affect the quality of people's lives. It was also found that the first in the list of powers provided to PCSO's is as follows: Issuing of fixed penalty notices (e.g. riding on footpath, dog fouling and litter). This site demonstrates that the primary role of PCSO's is to deliver the services that the Authority is currently paying NW Police to deliver in specific locations at overtime rates. At present, the Authority is unaware of activities delivered by NW Police that have a direct impact on the Authority, particularly in terms of the Clean Neighbourhoods & Environment Act 2005 (dog fouling, littering, graffiti and fly posting). A review of the NW Police web site identified that in the Buckley area, dog fouling has been raised as a policing priority. It is recognised that an	county wide approach to tackling environmental and anti social activities.			organisational obligations as well as having a coordinated, cost effective approach within the County.		

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	FCC Dog Warden has attended public meetings in the area with the PCSO but the results of any partnership activity are not currently reported to the Team Leader - Enforcement, particularly in the form as measurable improvements made as a result of joint activities taking place. From the description of the role of PCSO's noted above, it must be assumed that NW Police are delivering similar services to the services provided in Operation 'Scooper Pooper' across Flintshire. Information gathered by PCSO's in terms of fixed penalty notices and cautions issues during shifts worked outside of Operation 'Pooper Snooper' could be used to improve the identification of 'Hot Spots'						
8.8	Enforcement actions are the responsibility of the Authority. Fly tipping is a criminal offence. We were told by officers that enforcement through the courts is generally not pursued due to the risks involved in dealing with suspects. This needs to be	The Authority should ensure that robust arrangements are in place for pursuing prosecutions for fly tipping.	Significant	Y	Flintshire County Council will develop a written protocol for fly tipping offences	Dec 2012	Scott Rowley / Ian Vaughan - Evans

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	addressed by management to ensure that there are officers who have relevant skills and experience to be able to deal with such offences in a robust and confident manner.						
10.1	A review of the minutes of the Environment Overview & Scrutiny committee meeting was undertaken. It was noted that the Team Leader - Enforcement took over the role in February 2011 and attended the Environment Overview & Scrutiny Committee meeting on 6th April. Only general progress made with tackling littering and fly tipping was reported to the committee. The number of Fixed Penalty Notices issued for dog fouling was also reported.	Performance indicators should be established and reported to members and management to aid the evaluation and review of progress made in tackling dog fouling, littering, fly posting, graffiti and fly tipping issues.	Significant	Y	Performance against the Streetscene standards will be reported quarterly to Environment and Overview Scrutiny Committee. The targets will be challenged annually at the Members challenge workshop	Streetscene launch date 5th March 2012	S Jones
10.2	There are two national indicators relating to fly tipping incidents. These are: STS/003 - The percentage of reported fly tipping incidents which lead to enforcement activity. STS/006 - The percentage of fly tipping incidents which lead to	Once a fly tipping enforcement process is in operation, enforcement activities should be recorded.	Significant	Y	Agreed	Dec 2012	Scott Rowley / Ian Vaughan Evans

Ref	Findings	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	enforcement activity. Fly tipping enforcement is not actively pursued.						

Performance Indicators

CORPORATE			
Performance Indicator	**Target Number of Days**	**Reports Finalised for Audit Committee 31 Jan 12**	**Reports Finalised for this Audit Committee**
Time from completion of fieldwork to issue of draft	20 days	0 days	0 days
Time from issue of draft report to receipt of management response	20 days	0 days	0 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	0 days	0 days

FINANCE			
Performance Indicator	**Target Number of Days**	**Reports Finalised for the Audit Committee 31 Jan 12**	**Reports Finalised for this Audit Committee**
Time from completion of fieldwork to issue of draft	20 days	13 days	5 days
Time from issue of draft report to receipt of management response	20 days	74 days	12 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	1 day	1 days

Performance Indicators

LEGAL AND DEMOCRATIC			
Performance Indicator	**Target Number of Days**	**Reports Finalised for Audit Committee 31 Jan 12**	**Reports Finalised for this Audit Committee**
Time from completion of fieldwork to issue of draft	20 days	24 days	0 days
Time from issue of draft report to receipt of management response	20 days	7 days	0 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	20 days	0 days

HUMAN RESOURCES			
Performance Indicator	**Target Number of Days**	**Reports Finalised for the Audit Committee 31 Jan 12**	**Reports Finalised for this Audit Committee**
Time from completion of fieldwork to issue of draft	20 days	22 days	0 days
Time from issue of draft report to receipt of management response	20 days	31 days	0 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	3 days	0 days

Performance Indicators

INFORMATION TECHNOLOGY			
Performance Indicator	**Target Number of Days**	**Reports Finalised for the Audit Committee 31 Jan 12**	**Reports Finalised for this Audit Committee**
Time from completion of fieldwork to issue of draft	20 days	7 days	22 days
Time from issue of draft report to receipt of management response	20 days	21 days	19 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	5 days	4 days

LIFELONG LEARNING			
Performance Indicator	**Target Number of Days**	**Reports Finalised for the Audit Committee 31 Jan 12**	**Reports Finalised for this Audit Committee**
Time from completion of fieldwork to issue of draft	20 days	14 days	0 days
Time from issue of draft report to receipt of management response	20 days	49 days	0 days
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	11 days	0 days

Performance Indicators

COMMUNITY SERVICES			
Performance Indicator	**Target Number of Days**	**Reports Finalised for Audit Committee 31 Jan 12**	**Reports Finalised for this Audit Committee**
Time from completion of fieldwork to issue of draft	20 days	1 day	14 days
Time from issue of draft report to receipt of management response	20 days	35 days	27 days*
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	1 day	0 days

* Appointeeships / Deputyships – Management discussions on specific recommendations

ENVIRONMENT			
Performance Indicator	**Target Number of Days**	**Reports Finalised for the Audit Committee 31 Jan 12**	**Reports Finalised for this Audit Committee**
Time from completion of fieldwork to issue of draft	20 days	8 days	12 days
Time from issue of draft report to receipt of management response	20 days	24 days	47 days*
Corporate Reports - Time from issue of draft report to receipt of management response	30 days	0 days	0 days
Time from receipt of management response to issue of final report	5 days	1 day	2 days

Transportation – management discussions
Rural Development Plan – external partnership, delay in getting a response
Flood Risk Management – management sickness, further information then required.

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	127	30	Limited
Finance	FD0010R1	Financial Reporting	71	20	Adequate
Lifelong Learning	LL0060R1	Transport	59	20	N/A

Procurement – referred to CMT, then further management meetings. Now received.

Financial Reporting – management queries on the findings.

Transport – Delayed partly because of sickness.

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 10

REPORT TO: **AUDIT COMMITTEE**
DATE :   **26 MARCH 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:**

There are no new investigations

3.03   **The following investigations are over two months old and being investigated:**

1.   An employee (teacher) has admitted to the theft of monies. The matter was referred directly to the Police, Internal Audit assisted with the evidence gathering. The employee has been charged with theft and is scheduled to appear before Crown Court.

2.   Information was received regarding a potential fraudulent benefit claim by a member of the public. The subject of the allegation is also in receipt of allowances from the Council under the Direct Payment scheme. The matter is still 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, the Police have almost concluded their investigation.

4.   A complaint was received alleging that a member of staff abused his position for personal gain. A report has been presented to Management who are now considering what action to take.

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

Date: 16/03/2012

None

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

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 11

REPORT TO: **AUDIT COMMITTEE**
DATE : **26 MARCH 2012**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **BRIBERY ACT - UPDATE OF ANTI-FRAUD AND CORRUPTION STRATEGY**

1.00 PURPOSE OF REPORT

1.01 To outline to Members the changes to the Anti-Fraud and Corruption Strategy as a result of a review of policies following the introduction of the Bribery Act.

2.00 BACKGROUND

2.01 The Bribery Act came into force in April 2011 and makes significant changes to the law on bribery, bringing in a comprehensive scheme of bribery offences.

2.02 A report summarising the offences was brought to the Audit Committee in September 2011 by the Democracy and Governance Manager. The report included the requirement for the Secretary of State to publish guidance to assist organisations to implement adequate bribery prevention procedures.

2.03 In that meeting the Democracy and Governance Manager and the Internal Audit Manager undertook to liaise with the Welsh Local Government Association and RSM Tenon to see that Flintshire takes appropriate steps to prevent bribery. That liaison led to a review of Council policies to include the implications of the Act, with due consideration to the Secretary of State guidance.

2.04 That review has now been completed. Tendering and Contracting Policies and Procedures, Disciplinary Policy, Financial Regulations, the Anti Money Laundering Policy, the Fraud Response Plan and the Whistleblowing Policy were reviewed. Minor amendments have been made to the Constitution and the Officers Code of Conduct. The Anti-Fraud and Corruption Strategy also needs to refer to the Bribery Act.

3.00 CONSIDERATIONS AND CONCLUSIONS

3.01 The Anti Fraud and Corruption Policy is written for the benefit of employees, Councillors and the public and to inform organisations and businesses dealing with the Council who are also expected to act with integrity. It has previously been updated in line with the CIPFA good practice guide on Managing the Risk of Fraud and last approved by the Audit Committee in December 2010.

3.02 The review found that the existing definition of corruption in the Strategy covered the offences introduced in the Bribery Act. The update therefore consisted of referring to the Bribery Act within the Strategy and some further minor changes to the wording.

Date: 16/03/2012

3.03   The Anti Fraud and Corruption Policy forms part of the Council Constitution. It will be amended following approval from the Committee.

4.00   RECOMMENDATIONS

4.01   That the Audit Committee approves the updated Anti Fraud and Corruption Strategy.

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   Legal.

11.00   CONSULTATION UNDERTAKEN

11.01   Legal.

12.00   APPENDICES

12.01   Appendix A - Anti Fraud and Corruption Strategy

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

          None

Contact Officer: David Webster

Date: 16/03/2012

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Flintshire County Council

Corporate Anti-Fraud and Corruption Strategy

Revised Nov 2010

Contents

ANTI FRAUD AND CORRUPTION POLICY STATEMENT

- **Flintshire County Council does not tolerate any form of fraud or corruption from within the Council or from external individuals or organisations.**

- **Flintshire County Council is committed to the prevention, deterrence, detection and investigation of all forms of fraud or corruption within or against all its activities.**

- **Flintshire County Council will support prosecutions or apply other relevant sanctions to those who commit acts of fraud or corruption.**

CORPORATE ANTI-FRAUD AND CORRUPTION STRATEGY

1. Introduction

1. Flintshire County Council employs around 9,000 staff and spends in excess of £300m a year. The Council commissions and provides a wide range of services to individuals and households and works with many other private, public and voluntary sector organisations.

2. The size and nature of the Councils services means that there is an ongoing risk of loss due to fraud and corruption from both internal and external sources. The council is continuously developing anti-fraud initiatives and remains committed to:

    - The prevention, detection, deterring, investigation and correcting all forms of fraud and corruption, whether these are attempted from within or external to the organisation.
    - Minimising losses caused by fraud and corruption.
    - Embedding management of fraud risk throughout the organisation.
    - Increasing awareness of counter-fraud responsibilities at all levels within and outside the Council.

3. The Council's commitment to the protection of public funds against fraud and corruption is set out in this strategy and supporting policies.

    The strategy is structured to reflect the CIPFA fraud standards contained within CIPFA's "Red Book 2 – Managing The Risk of Fraud", which states the action necessary for an organisation to be effective in countering fraud and corruption, namely:

    - *Adopting the right strategy*
    - *Accurately identifying the risks*

- ***Creating and maintaining a strong structure***
- ***Taking action to tackle the problem***
- ***Defining success***

4. The Strategy is written for the benefit of employees, councillors and the public and to inform organisations and businesses dealing with the Council who are also expected to act with integrity.

5. The Strategy has the full support of Members and the Council's Senior Management Team, Executive Committee, Audit Committee etc.

2. Fraud and corruption definitions

1. The Fraud Act 2006 came into force on 15th January 2007. It repeals the deception offences contained in the 1968 and 1978 Theft Acts, replacing them with a single offence of fraud which can be committed in three separate ways:

- False representation
- Failure to disclose information where there is a legal duty to do so
- Abuse of position.

Four new offences were also created:

- Possession of articles for use in fraud
- Making or supplying articles for use in fraud
- Obtaining services dishonestly
- Participating in fraudulent business

Theft – "A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it" (Theft Act 1968).

Corruption – The Council has defined corruption as "The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person".

This definition covers the offences of Bribery introduced in the Bribery Act 2010, which contains two general offences covering the offering, promising or giving of a bribe (active bribery) and the requesting, agreeing to receive or accepting of a bribe (passive bribery).

Computer fraud occurs where information technology equipment has been used to manipulate programmes or data dishonestly (for example, by altering, substituting or destroying records or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud.

2. This Strategy also covers the failure of Councillors, employees or third parties to disclose an interest in order to obtain a financial gain or other benefit.

3. Adopting the Right Strategy

3.1 To reduce losses to fraud and corruption to an absolute minimum, a strategic approach is being implemented encompassing a clear remit covering all areas of fraud and corruption affecting the organisation.

3.2 The approach adopted by the organisation involves a three stage process:

1) Deter – by having a culture within the organisation which deters the committing of fraud or corruption
2) Prevent – by having measures in place to help prevent fraud or corruption occurring
3) Detect – by having measures in place to detect fraud or corruption should it occur

The approach is covered in more detail later in this document.

3.3 The full range of integrated actions should be taken forward with the focus on outcomes (i.e. reduced losses) rather than activity (i.e. number of investigations).

4. Accurately identifying the risks

4.1 Fraud and corruption risks will be considered as part of the organisation's strategic fraud risk management arrangements.

4.2 The nature and scale of losses to fraud and corruption are identified where they can be practically established. By measuring the scale of losses, and learning from where they are detected, knowledge is gained of where controls within systems should be strengthened or introduced.

5. Creating and Maintaining a Strong Structure

5.1 Within the County Council those charged with countering fraud and corruption have the appropriate authority to pursue their remit effectively. The Accounts and Audit (Wales) Regulations issued by the National Assembly for Wales require every local authority to maintain an adequate and effective internal audit. Financial Procedure rule 11.0 also specifies the anti fraud and corruption arrangements that need to be in place.

In order for the Council to effectively deal with allegations of fraud or corruption those charged with investigating matters must receive full support from all officers.

5.2   The Anti Fraud and Corruption Strategy is approved by Audit Committee and The Executive. It will be a key action to ensure that the Annual Governance Statement includes reference to the measures taken to counter fraud and corruption.

5.3   Internal Audit's plans are required to provide adequate coverage of the risk of fraud and corruption and also to reflect the requirement for audit staff to be properly trained to gain the appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation.

5.4   The Council is committed to the seven principles of public life, namely objectivity, openness, leadership, accountability, honesty, selflessness and integrity. High ethical standards should be adhered to and be demonstrated in all the Council's actions and decisions.

5.5   The Council expects elected members and all employees, including those charged with countering fraud to lead by example in demonstrating opposition to fraud and corruption, by adhering to rules and regulations, and that all practices and operating procedures are beyond reproach.

The Council's commitment to the highest standard of governance is supported by a strong framework including the Constitution, Member and Officer Codes of Conduct and specific counter fraud policies e.g. Whistleblowing and the Anti Money Laundering Policy.

5.6   All recruitment activity is required to be in accordance with Policies and Procedures issued by Human Resources. In particular, appropriate checks such as written references must be obtained to confirm the honesty and integrity of employees before appointments are made and Criminal Record Bureau checks must be undertaken where appropriate for the post being recruited.

5.7   The Council requires all individuals and organisations with whom it deals in any capacity to behave toward the Council with integrity and without intent or actions involving fraud or corruption. Members of the public are encouraged to report any concerns which they may have.

5.8   To prevent misuse of the investigation process, any abuse by employees, such as raising vexatious or malicious allegations will be treated as a disciplinary matter.

5.9   Where appropriate, Flintshire County Council will co-operate with other local authorities and public sector bodies in the prevention, detection and investigation of fraud and corruption eg participation in the National Fraud Initiative and liaison with the Police.

6. Taking action to tackle the problem

Deterrence

The Council will publicise its counter fraud measures using all available means eg. local and national press, newsletters, the Infonet and internet.

Publicised information makes employees aware that fraud and corruption are serious offences and that they may face disciplinary action if there is evidence that they have been involved in these activities.

Where fraud and corruption is proved, and the Council has suffered a financial loss, the Council will seek to recover the full value of any loss. In some cases this may involve civil proceedings being instigated through the courts. As a deterrent the Council will seek to publicise such cases.

Prevention

Managers at all levels within the County Council have a responsibility for the prevention of fraud and corruption (within their own remit) and for implementing appropriate strategies to minimise the risk effectively. Such strategies include promoting fraud awareness, assessing compliance with Council policies (e.g. Financial Regulations) and ensuring sufficient levels of internal control are maintained within systems and procedures.

The internal audit plan includes time for audit involvement in the development of new systems. Involvement should help to ensure that fraud and corruption is designed out of systems at the earliest possible stage.

Detection

In the majority of cases, it is the diligence of employees and the alertness and good citizenship of the public at large that detects acts of fraud or corruption. Fraud and corruption may also be discovered by Internal Audit during routine audits, pro-active fraud audits or through the use of data matching. Frauds are also detected as a result of the Council's participation in the National Fraud Initiative exercise.

Employees, elected members and external stakeholders are expected to report suspected fraud or corruption in accordance with Financial Regulations and the Council's Whistleblowing procedures.

Investigation

Reporting suspected cases of fraud and corruption by the above means will ensure that all reported incidents are considered by Internal Audit as per the Fraud Response Plan. All referrals are logged and subject to a risk assessment with timescales being agreed for completion of the investigation taking into account any future loss of evidence or funds.

During the investigation the Investigating Officer (Auditor) will contact any other relevant parties e.g. the Monitoring Officer, Human Resources or the Police, to ensure all allegations and evidence are properly investigated and reported upon. When referrals are passed to the Police, the Crown Prosecution Service will determine whether a prosecution will be pursued.

Internal Audit investigation reports include the specific control weaknesses which were present at the time of the fraud and allowed it to be committed. Recommendations to address these weaknesses and strengthen the control environment are included within investigation reports. Recommendations are graded depending upon their severity and the manager responsible must complete an action plan detailing dates for implementation and officer responsible.

Where necessary, the Council's disciplinary policy will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The decision to invoke the disciplinary policy will be a consideration of Departmental Management and/or Human Resources.

Sanctions and Redress

Where fraud or corruption has been identified the Council will recover any losses (where applicable) and prosecute or apply other sanctions as detailed within the Fraud Response Plan. Sanctions will be applied in a comprehensive, consistent and proportionate manner. Examples of the type of sanctions that could be considered are; disciplinary action (against employees) and/or civil and criminal action.

Redress will be applied in accordance with the Recovery of Losses section detailed in Fraud Response Plan. Rates of recovery will be monitored as part of the quality process.

7. Defining Success

Successful prosecutions
Reduction in number of referrals
Reduction in number of successful National Fraud Initiative matches
Successful recoveries of losses

8. Awareness and Training

Training and guidance are vital to maintaining the effectiveness of the Anti-fraud and Corruption Strategy. The Council supports induction and work related training and will ensure that fraud awareness training is provided to all Members and Senior Managers of the Council on a regular basis.

Staff within Internal Audit and the Benefit Fraud Team will receive specific training to ensure compliance with professional standards and relevant legislation.

In order to raise awareness of this strategy and fraud and corruption in general, the Council will arrange periodic publicity campaigns and will issue advice encouraging fraud awareness.

9. Conclusion

Flintshire County Council has in place a clear framework of systems and procedures to deter, prevent, detect and investigate fraud and corruption.

The Council will monitor performance of the Anti Fraud and Corruption Strategy through regular reports submitted to the Audit Committee. The Head of Internal Audit will, in addition, keep this policy under review in order to take account of any changes in Council policy and government legislation.

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 12

REPORT TO:	**AUDIT COMMITTEE**
DATE :	**26 MARCH 2012**
REPORT BY:	**HEAD OF FINANCE**
SUBJECT :	**TREASURY MANAGEMENT UPDATE**

1.00   PURPOSE OF REPORT

1.01   To provide an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices.

2.00   BACKGROUND

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

3.00   CONSIDERATIONS

Governance and Interest Rate Forecast

3.01   The Council approved the Treasury Management Policy and Strategy Statement for 2012/13 on 1st March 2012. The new Policy Statement will be actioned by the Head of Finance from 1st April 2012.

3.02   In terms of base rate, at its latest meeting, the Bank of England kept the rate at 0.5%. Should there be any future changes to interest rates this will be reported in monthly budget monitoring reports to Executive and Corporate Resources Scrutiny setting out the effect on the Council's budget.

Investment and Borrowing

3.03   A schedule setting out the Council's investments as at 29th February 2012 compared with December 2011 is shown in the table below. Full details are shown in Appendix 1.

Date: 16/03/2012

	30/11/2011	29/02/2012
DEBT MANAGEMENT OFFICE (DMO)	0.0	0.0
UK BANKS AND BUILDING SOCIETIES	25.7	17.0
OVERSEAS BANKS	4.5	1.0
OTHER LOCAL AUTHORITIES	12.0	12.5
ICELAND (LANDSBANKI)	3.7	2.6
MONEY MARKET FUNDS	20.3	25.4
	66.2	**58.5**

3.04   As requested at the last Audit Committee, the current Counterparty List is attached as Appendix 2.

3.05   Since the last update report, there have been no changes to the Council's long term borrowing, although this will continue to be reviewed throughout the new financial year. Although the Sovereign debt crisis in Europe is continuing, steps have been taken to alleviate some of the risks on the financial system. As a result, the Council's Treasury Management Advisors Sterling have revised the "red flag" status on credit risk (reported in the January update) to "amber". Although they still recommend being very cautious, it is considered that some changes could be made to our current approach of no short-term deposits with banks and building societies. As a first step, short term deposits with banks and building societies have resumed for periods of no longer than three months.

   Landsbanki

3.06   The Council has now received its first distribution of £1,087,776.79 from the winding up Board of Landsbanki Bank. We await further information on future distributions which are linked to the liquidation of the bank.

4.00   RECOMMENDATIONS

4.01   That Members note the report.

5.00   FINANCIAL IMPLICATIONS

5.01   None.

6.00   ANTI POVERTY IMPACT

6.01   None.

7.00   ENVIRONMENTAL IMPACT

7.01   None.

Date: 16/03/2012

8.00   EQUALITIES IMPACT

8.01   None.

9.00   PERSONNEL IMPLICATIONS

9.01   None.

10.00   CONSULTATION REQUIRED

10.01   None.

11.00   CONSULTATION UNDERTAKEN

11.01   None.

12.00   APPENDICES

12.01   Appendix 1 - Council Investments at 29th February 2012.
        Appendix 2 - The current Counterparty List.

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

Treasury Management Strategy & Policy Statement 2011/12

Contact Officer: Philip Latham
Telephone: 01352 702264
E-Mail: philip_latham@flintshire.gov.uk

Date: 16/03/2012

Flintshire County Council

Investments as at 29th February 2012 - by maturity date

Counterparty Name	Amount	Start Date	Maturity	Interest Rate	Interest Earned during investment period	Period to Maturity	
	£m						£m
LANDSBANKI ISLANDS	0.8	22-Jul-08	17-Oct-08	5.82%	16,646.79	Part Returned	Iceland
LANDSBANKI ISLANDS	1.1	1-Sep-08	14-Nov-08	5.70%	17,334.25	Part Returned	Iceland
LANDSBANKI ISLANDS	0.7	8-Sep-08	18-Nov-08	5.67%	11,029.32	Part Returned	Iceland
SVENSKA HANDELSBANKEN	1.0	22-Feb-12	31-Mar-12	0.75%	780.82	1 month or less	
BANK OF SCOTLAND	3.0	31-Mar-11	31-Mar-12	0.75%	22,561.64	1 month or less	
NATIONAL WESTMINSTER BANK	7.0	31-Mar-11	31-Mar-12	0.80%	56,153.42	1 month or less	
SSGA GBP LIQUIDITY FUND	5.9	3-Aug-11	31-Mar-12	0.74%	28,827.56	1 month or less	
DEUTSCHE MANAGED STERLING FUND	7.0	5-Sep-11	31-Mar-12	0.66%	26,327.67	1 month or less	
SWIP GLOBAL LIQUIDITY FUND	7.0	5-Oct-11	31-Mar-12	0.67%	22,871.78	1 month or less	
RBS GLOBAL TREASURY FUND	5.5	1-Dec-11	31-Mar-12	0.71%	12,945.34	1 month or less	
BIRMINGHAM CITY COUNCIL	1.0	5-Dec-11	01-Mar-12	0.32%	762.74	1 month or less	
KINGSTON UPON HULL CITY COUNCIL	1.0	5-Dec-11	16-Mar-12	0.30%	838.36	1 month or less	38.4
LANCASHIRE COUNTY COUNCIL	1.0	17-Oct-11	27-Apr-12	0.60%	3,172.60	2 - 3 months	1.0
BARCLAYS BANK	2.0	15-Jun-10	15-Jun-12	1.85%	74,101.37	3 - 4 months	
BROXTOWE BOROUGH COUNCIL	1.5	8-Dec-11	18-May-12	0.45%	2,995.89	3 - 4 months	3.5
BANK OF SCOTLAND	2.0	9-May-11	27-Jul-12	2.65%	64,616.44	4 - 5 months	
BANK OF SCOTLAND	2.0	20-May-11	27-Jul-12	2.65%	63,019.18	4 - 5 months	
SALFORD CITY COUNCIL	2.0	5-Jan-12	18-Jul-12	0.42%	4,487.67	4 - 5 months	
SALFORD CITY COUNCIL	2.0	5-Jan-12	18-Jul-12	0.34%	3,632.88	4 - 5 months	8.0
NOTTINGHAM BUILDING SOCIETY	1.0	9-Jan-12	09-Oct-12	0.50%	3,753.42	7 - 8 months	1.0
THE HIGHLAND COUNCIL	2.0	26-Oct-11	24-Oct-12	0.80%	15,956.16	8 - 9 months	2.0
DONCASTER COUNCIL	2.0	3-Oct-11	16-Apr-13	1.30%	39,961.64	over 1 year	2.0
	58.5				492,776.94		58.5

Summary	Total		1 month or less	1 - 3 months	3 months +	12 months +	Iceland
	£m	%	£m	£m	£m	£m	
DEBT MANAGEMENT OFFICE (DMO)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UK BANKS AND BUILDING SOCIETIES	17.0	29.0	10.0	0.0	6.0	0.0	0.0
OVERSEAS BANKS	1.0	1.8	1.0	0.0	0.0	0.0	0.0
OTHER LOCAL AUTHORITIES	12.5	21.4	2.0	1.0	8.5	2.0	0.0
ICELAND (LANDSBANKI)	2.6	4.4	0.0	0.0	0.0	0.0	2.6
MONEY MARKET FUNDS	25.4	43.4	25.4	0.0	0.0	0.0	0.0
	58.5		38.4	1.0	14.5	2.0	2.6
		100.0%	65.6%	1.7%	24.8%	3.4%	4.4%

Flintshire County Council

Investments as at29th February 2012 - by bank

Counterparty Name	Amount £m	Start Date	Maturity	Interest Rate	Interest Earned during investment period	Period to Maturity	£m
BANK OF SCOTLAND	3.0	31-Mar-11	31-Mar-12	0.75%	22,561.64	1 month or less	
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	58.5				**492,776.94**		**58.5**

ESTIMATED INTEREST FOR 2011/12 AS AT 29th FEBRUARY 2012 £677,219.81

Counterparty List	Flintshire County Council	2 March 2012

Banks with minimum ratings of F1/A or equivalent (suspend if A▼)
UK Building Societies with assets over £1 billion, unless rated below BBB
Minimum sovereign rating AA+

Counterparty Name	FITCH RATINGS						MOODY'S RATINGS					S&P RATINGS				ASSETS £m	CAPITAL %	Date	Comment
	S/Term	L/Term	Viab	Sup	Outlook	Date	S/Term	L/Term	BFSR	Outlook	Date	S/Term	L/Term	Outlook	Date				
United Kingdom	Sovereign Rating:	AAA	-	-	Stable	14-03-11	-	Aaa	-	Negative	14-02-12	-	AAA	Stable	03-10-11				
Barclays Bank plc	F1	A	a	1	Stable	15-12-11	P-1	Aa3 ▼	C ▼	On review	15-02-12	A-1	A+	Stable	29-11-11	1,564,000	11.0	Dec 11	
HSBC Bank plc	F1+	AA	aa-	1	Negative	01-03-12	P-1	Aa2 ▼	C+ ▼	On review	15-02-12	A-1+	AA-	Stable	29-11-11	1,742,667	10.6	Sep 11	
Lloyds Banking Group																970,546	108.0	Dec 11	41% Govt owned
→ Bank of Scotland plc	F1	A	-	1	Stable	13-12-11	P-1 ▼	A1 ▼	D+	On review	15-02-12	A-1	A	Stable	29-11-11				
→ Lloyds TSB Bank plc	F1	A	bbb	1	Stable	13-12-11	P-1 ▼	A1 ▼	C- ▼	On review	15-02-12	A-1	A	Stable	29-11-11				
Royal Bank of Scotland Group																1,506,867	10.6	Dec 11	84% Govt owned
Schroders plc	F1	A+	-	-	Stable	16-01-12	-	-	-	-	-	A-1	A	Positive	19-04-11	13,760	-	Sep 11	
Standard Chartered Bank	F1+	AA-	aa-	1	Stable	11-10-11	P-1	A1	B-	Stable	26-11-10	A-1+	AA-	Stable	01-12-11	353,865	11.5	Jun 11	
UK Building Societies							-		-	-									
Nationwide	F1	A+	a+	1	Negative	03-11-11	P-1	A2	C	Stable	07-10-11	A-1	A+	Stable	08-12-11	193,882	12.7	Sep 11	
Yorkshire	F2	BBB+	bbb+	5	Stable	03-11-11	P-2	Baa2	C-	Stable	07-10-11	A-2	A-	Stable	08-12-11	30,121	12.7	Jun 11	
Coventry	F1	A	a	5	Stable	03-11-11	P-2	A3	C	Stable	02-08-11	-	-	-	-	22,626	24.1	Jun 11	
Leeds	F2	A-	a-	5	Stable	03-11-11	P-2	A3	C	Stable	07-10-11	-	-	-	-	9,513	-	Jun 11	
Nottingham	-	-	-	-	-	-	P-2	Baa2	C-	Stable	07-10-11	-	-	-	-	2,404	-	Dec 10	
Progressive	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,666	-	Dec 10	
Cumberland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,527	16.0	Mar 11	
National Counties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,238	-	Dec 10	
Foreign Banks																			
Australia	Sovereign Rating:	AAA	-	-	Stable	29-11-11	-	Aaa	-	Stable	01-05-11	-	AAA	Stable	23-09-10				
Australia & New Zealand Banking Group	F1+	AA-	aa-	1	Stable	24-02-12	P-1	Aa2	B-	Stable	18-05-11	A-1+	AA-	Stable	01-12-11	371,000	8.5	Sep 11	
Commonwealth Bank of Australia	F1+	AA-	aa-	1	Stable	24-02-12	P-1	Aa2	B-	Stable	18-05-11	A-1+	AA-	Stable	01-12-11	417,000	7.7	Jun 11	
National Australia Bank Group																470,000	7.6	Sep 11	
→ National Australia Bank	F1+	AA-	aa-	1	Stable	24-02-12	P-1	Aa2	B-	Stable	18-05-11	A-1+	AA-	Stable	01-12-11				
Westpac Banking Corporation	F1+	AA-	aa-	1	Stable	24-02-12	P-1	Aa2	B-	Stable	18-05-11	A-1+	AA-	Stable	01-12-11	418,000	8.1	Sep 11	
Austria	Sovereign Rating:	AAA	-	-	Stable	25-07-11	-	Aaa	-	Negative	13-02-12	-	AA+	Negative	13-01-12				
Canada	Sovereign Rating:	AAA	-	-	Stable	06-09-11	-	Aaa	-	Stable	06-05-05	-	AAA	Stable	25-10-11				
Bank of Montreal	F1+	AA-	aa-	1	Stable	27-01-12	P-1	Aa2	B-	Stable	06-07-11	A-1	A+	Stable	13-12-11	294,000	9.1	Jul 11	
Bank of Nova Scotia	F1+	AA-	aa-	1	Stable	27-01-12	P-1	Aa1	B	Stable	03-09-07	A-1+	AA-	Stable	13-12-11	350,000	9.6	Jan 11	
Canadian Imperial Bank of Commerce	F1+	AA-	aa-	1	Stable	27-01-12	P-1	Aa2	B-	Stable	28-07-11	A-1	A+	Stable	13-12-11				
National Bank of Canada	F1	A+	a+	1	Stable	27-01-12	P-1	Aa2	B-	Stable	22-08-07	A-1	A	Stable	13-12-11	94,000	8.0	Jul 11	
Royal Bank of Canada	F1+	AA	aa	1	Stable	27-01-12	P-1	Aa1 ▼	B ▼	On review	15-02-12	A-1+	AA-	Stable	13-12-11	450,000	10.3	Jul 11	
Toronto-Dominion Bank	F1+	AA-	aa-	1	Stable	27-01-12	P-1	Aaa	B+	Negative	14-09-10	A-1+	AA-	Stable	13-12-11				

Counterparty Name	FITCH RATINGS						MOODY'S RATINGS					S&P RATINGS				ASSETS £m	CAPITAL %	Date	Comment
	S/Term	L/Term	Viab	Sup	Outlook	Date	S/Term	L/Term	BFSR	Outlook	Date	S/Term	L/Term	Outlook	Date				
Denmark	Sovereign Rating:	AAA	-	-	Stable	20-07-11	-	Aaa	-	Stable	23-08-99	-	AAA	Stable	04-10-11				
Finland	Sovereign Rating:	AAA	-	-	Stable	20-07-11	-	Aaa	-	Stable	28-12-11	-	AAA	Negative	13-01-12				
France	Sovereign Rating:	AAA	-	-	Negative	16-12-11	-	Aaa	-	Negative	13-02-12	-	AA+	Negative	13-01-12				
BNP Paribas Group																1,659,000	9.6	Sep 11	
→ BNP Paribas	F1+	A+	a+	1	Stable	15-12-11	P-1	Aa3 ▼	C ▼	On review	15-02-12	A-1+	AA-	Negative	24-01-12				
Groupe Credit Mutuel																409,000	11.2	Sep 11	
→ Banque Federative du Credit Mutuel	F1+	A+	-	1	Stable	14-12-11	P-1	Aa3 ▼	C ▼	On review	15-02-12	A-1	A+	Stable	07-12-11				
→ Credit Industriel et Commercial	F1+	A+	-	1	Stable	14-12-11	P-1	Aa3 ▼	C- ▼	On review	15-02-12	A-1	A+	Stable	07-12-11				
Groupe BPCE																970,000	8.6	Jun 11	
→ BPCE	F1+	A+	-	1	Negative	20-12-11	P-1	Aa3 ▼	C- ▼	On review	15-02-12	A-1	A	Stable	24-01-12				
Groupe Credit Agricole																1,628,000	8.9	Sep 11	
→ Credit Agricole	F1+	A+	a+	1	Stable	14-12-11	P-1	Aa3 ▼	C- ▼	On review	15-02-12	A-1	A	Stable	24-01-12				
→ Credit Agricole Corp. & Invest. Bank	F1+	A+	-	1	Stable	14-12-11	P-1	Aa3 ▼	D ▼	On review	15-02-12	A-1	A	Stable	24-01-12				
Societe Generale	F1+	A+	a-	1	Negative	20-12-11	P-1	A1 ▼	C-	On review	15-02-12	A-1	A	Stable	24-01-12	1,074,000	9.5	Sep 11	
Germany	Sovereign Rating:	AAA	-	-	Stable	20-09-11	-	Aaa	-	Stable	05-07-00	-	AAA	Stable	13-01-12				
Deutsche Bank AG	F1+	A+	a	1	Stable	15-12-11	P-1	Aa3 ▼	C+ ▼	On review	15-02-12	A-1	A+	Negative	25-01-12	1,965,000	10.1	Sep 11	7 UK branches
DZ Bank AG	F1+	A+	-	1	Stable	28-07-11	P-1	Aa3 ▼	C- ▼	On review	15-02-12	A-1	AA-	Stable	05-12-11	330,000	6.9	Jun 11	
Landesbank Berlin AG	F1+	A+	bbb-	1	Stable	14-10-11	P-1	A1	D+	Stable	16-11-11	-	-	-	-	117,000	-	Sep 11	
Landesbank Hessen-Thuringen	F1+	A+	-	1	Stable	24-05-11	P-1	A1 ▼	C- ▼	On review	15-02-12	A-1	A	Stable	16-09-10	149,000	10.8	Sep 11	
Luxembourg	Sovereign Rating:	AAA	-	-	Stable	28-09-11	-	Aaa	-	Stable	15-07-10	-	AAA	Negative	13-01-12				
Netherlands	Sovereign Rating:	AAA	-	-	Stable	26-07-11	-	Aaa	-	Stable	30-11-01	-	AAA	Negative	13-01-12				
ING Bank NV	F1+	A+	a	1	Stable	12-07-11	P-1	Aa3 ▼	C+ ▼	On review	15-02-12	A-1	A+	Stable	07-12-11	812,000	9.4	Jun 11	
Rabobank Nederland NV	F1+	AA	aa	1	Stable	14-12-11	P-1	Aaa ▼	B+ ▼	On review	15-02-12	A-1+	AA	Negative	23-01-12	573,000	12.7	Jun 11	
Norway	Sovereign Rating:	AAA	-	-	Stable	22-07-11	-	Aaa	-	Stable	30-09-97	-	AAA	Stable	15-04-11				
DNB Bank	F1	A+	a+	1	Stable	16-12-11	P-1	Aa3 ▼	C ▼	On review	15-02-12	A-1	A+	Stable	01-12-11	239,000	9.1	Sep 11	
Singapore	Sovereign Rating:	AAA	-	-	Stable	20-04-11	-	Aaa	-	Stable	14-06-02	-	AAA	Stable	25-08-11				
DBS Bank	F1+	AA-	aa-	1	Stable	29-04-11	P-1	Aa1	B	Stable	20-05-10	A-1+	AA-	Stable	01-12-11	167,000	10.7	Sep 11	
Oversea-Chinese Banking Corp	F1+	AA-	aa-	1	Stable	29-04-11	P-1	Aa1	B	Stable	20-05-10	A-1+	AA-	Stable	01-12-11	131,000	11.2	Sep 11	
United Overseas Bank	F1+	AA-	aa-	1	Stable	29-04-11	P-1	Aa1	B	Stable	20-05-10	A-1+	AA-	Stable	01-12-11	114,000	12.3	Sep 11	
Spain	Sovereign Rating:	A	-	-	Negative	27-01-12	-	A3	-	Negative	13-02-12	-	A	Negative	13-01-12				
Santander Group																1,051,702	10.0	Dec 11	
→ Santander UK plc	F1	A+	a+	1	Stable	13-02-12	P-1	A1 ▼	C-	On review	21-02-12	A-1	A+	Negative	13-02-12		(domiciled in the UK)		
Sweden	Sovereign Rating:	AAA	-	-	Stable	22-07-11	-	Aaa	-	Stable	04-04-02	-	AAA	Stable	04-10-11				
Nordea Group																578,000	11.0	Sep 11	
→ Nordea Bank AB	F1+	AA-	aa-	1	Stable	27-07-11	P-1	Aa2 ▼	C+ ▼	On review	15-02-12	A-1+	AA-	Stable	29-11-11				
→ Nordea Bank Finland plc	F1+	AA-	-	1	Stable	27-07-11	P-1	Aa2 ▼	C+ ▼	On review	15-02-12	A-1+	AA-	Stable	29-11-11		(domiciled in Finland)		
Skandinaviska Enskilda Banken (SEB)	F1	A+	a+	1	Stable	16-09-11	P-1	A1 ▼	C- ▼	On review	15-02-12	A-1	A+	Stable	01-12-11	220,000	13.9	Sep 11	
Svenska Handelsbanken	F1+	AA-	aa-	1	Stable	27-07-11	P-1	Aa2 ▼	C+ ▼	On review	15-02-12	A-1+	AA-	Stable	01-12-11	231,000	16.2	Sep 11	113 UK branches

Counterparty Name	FITCH RATINGS						MOODY'S RATINGS					S&P RATINGS				ASSETS £m	CAPITAL %	Date	Comment
	S/Term	L/Term	Viab	Sup	Outlook	Date	S/Term	L/Term	BFSR	Outlook	Date	S/Term	L/Term	Outlook	Date				
Switzerland	Sovereign Rating:	AAA	-	-	Stable	14-07-11	-	Aaa	-	Stable	20-07-99	-	AAA	Stable	13-01-09				
Credit Suisse	F1	A	a	1	Stable	15-12-11	P-1	Aa1 ▼	B ▼	On review	14-11-11	A-1	A+	Negative	29-11-11	750,000	12.6	Sep 11	
UBS AG	F1	A	a-	1	Stable	15-12-11	P-1 ▼	Aa3 ▼	C ▼	On review	15-02-12	A-1	A	Negative	29-11-11	1,023,000	16.3	Sep 11	
United States	Sovereign Rating:	AAA	-	-	Negative	29-11-11	-	Aaa	-	Negative	03-08-11	-	AA+	Negative	05-08-11				
Bank of America Corporation																1,391,601	9.9	Dec 11	
→ MBNA Europe Bank Ltd	F1	A	-	1	Stable	15-12-11	-	-	-	-	-	-	-	-	-	(domiciled in the UK)			
Bank of New York Mellon	F1+	AA-	aa-	1	Stable	15-12-11	P-1	Aaa ▼	B+ ▼	On review	09-12-11	A-1+	AA-	Negative	29-11-11	206,584	13.4	Dec 11	
Citigroup																1,221,000	11.8	Dec 11	
→ Citibank NA	F1	A	a-	1	Stable	15-12-11	P-1 ▼	A1 ▼	C- ▼	On review	15-02-12	A-1	A	Negative	29-11-11				
J P Morgan Chase Bank NA	F1+	AA-	aa-	1	Stable	15-12-11	P-1	Aa1 ▼	B ▼	On review	15-02-12	A-1	A+	Stable	29-11-11	1,503,268	10.0	Dec 11	
Wells Fargo Bank NA	F1+	AA-	aa-	1	Stable	15-12-11	P-1	Aa3	C+	Negative	21-09-11	A-1+	AA-	Negative	29-11-11	856,000	9.4	Dec 11	
Supranational																			
European Bank for Reconstruction & Dev	F1+	AAA	-	-	Stable	15-12-11	P-1	Aaa	-	Stable	23-12-11	A-1+	AAA	Stable	16-12-11	(domiciled in the UK)			
European Investment Bank	F1+	AAA ▼	-	-	On watch	19-12-11	P-1	Aaa	-	Stable	10-11-10	A-1+	AAA	Negative	16-01-12	(domiciled in Luxembourg)			
Inter-American Development Bank	F1+	AAA	-	-	Stable	14-12-11	P-1	Aaa	-	Stable	23-12-11	A-1+	AAA	Stable	12-08-11	(domiciled in the USA)			
IBRD (World Bank)	F1+	AAA	-	-	Stable	16-12-11	P-1	Aaa	-	Stable	10-03-11	A-1+	AAA	Stable	20-06-11	(domiciled in the USA)			
Nordic Investment Bank	-	-	-	-	-	-	P-1	Aaa	-	Stable	30-12-11	A-1+	AAA	Stable	28-09-11	(domiciled in Finland)			
UK Local Authorities																			
Birmingham City Council	-	-	-	-	-	-	-	Aaa	-	Negative	16-02-12	-	AA+	Stable	11-10-11	-	-	-	
Cornwall Council	-	-	-	-	-	-	-	Aaa	-	Negative	16-02-12	-	-	-	-	-	-	-	
Greater London Authority	-	-	-	-	-	-	-	-	-	-	-	-	AA+	Stable	11-03-10	-	-	-	
Guildford Borough Council	-	-	-	-	-	-	-	Aaa	-	Negative	16-02-12	-	-	-	-	-	-	-	
Lancashire County Council	-	-	-	-	-	-	-	Aa1	-	Negative	16-02-12	-	-	-	-	-	-	-	
London Borough of Wandsworth	F1+	AAA	-	-	Stable	14-11-11	-	Aaa	-	Negative	16-02-12	-	-	-	-	-	-	-	
Royal Borough of Kensington & Chelsea	-	-	-	-	-	-	-	-	-	-	-	A-1+	AAA	Stable	16-05-11	-	-	-	
Transport for London	F1+	AA+	-	-	Stable	10-03-11	P-1	Aa1	-	Negative	16-02-12	A-1+	AA+	Stable	12-05-11	-	-	-	
Woking Borough Council	-	-	-	-	-	-	-	-	-	-	-	-	AA-	Stable	15-11-11	-	-	-	

▲ ▼ ► indicates ratings are on watch or review for possible upgrade, downgrade, or with uncertain direction.
Outlooks refer to the long-term credit rating and indicate a likely direction of travel over a number of years.
Bank and building society asset sizes relate to the whole group, including subsidiaries not listed.
Capital refers to the published core tier 1 ratio.

The information provided by Sterling Consultancy Services, a division of Sterling International Brokers Ltd (the Company), includes institutions dealing in the London money market whose creditworthiness has been established by a third party. The Company accepts no responsibility for the information provided and does not guarantee the creditworthiness of the above institutions. The ultimate responsibility for determining the creditworthiness of a counterparty lies with the principal undertaking the transaction.

REPORT TO: **AUDIT COMMITTEE**
DATE :   **26 MARCH 2012**
REPORT BY: **HEAD OF FINANCE**
SUBJECT :   **AUDIT COMMITTEE SELF ASSESSMENT**

1.00 PURPOSE OF REPORT

1.01 To inform members of the results of the Audit Committee self assessment which has fed into the preparation for the Annual Governance Statement 2011/12.

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. However this is not prescriptive and local arrangements may be implemented which provide the same level of assurance.

2.02 The toolkit included a self assessment questionnaire. This is completed annually by members of the Audit Committee as well as the Chief Executive and Head of Finance. For 2012 responses were received from Cllrs Roberts, Mullin, Dodd and Pemberton, the Chief Executive and Head of Finance.

2.03 The Audit Committee itself is part of the governance framework of the Authority. It is therefore appropriate for the self assessment questionnaire to be completed as part of the preparation for the Annual Governance Statement for 2011/12, which reports on overall governance within the Authority and will be published with the annual accounts.

2.04 In addition the results will be used to inform the provision of training to Audit Committee members after the May elections and taking into account any changes with the implementation of the Local Government Measure.

3.00 CONSIDERATIONS

3.01 The questionnaire and supporting information are shown in the Appendix. The results have been analysed to show the number of 'yes' answers to each question, and the individual 'no' or 'n/a' answers. Where comments were made by any of the respondents these are also given.

Date: 16/03/2012

3.02   The results show that the Committee in the main meets the guidelines. Some areas have been highlighted where training can be directed or where existing arrangements can be strengthened.

3.03   Many of the points raised are administrative. These will be extracted for further discussion.

4.00   RECOMMENDATIONS

4.01   That the committee notes the results of the self-assessment questionnaires.

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

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 BACKGROUND DOCUMENTS

Date: 16/03/2012

None

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AUDIT COMMITTEE
SELF-ASSESSMENT CHECKLIST RESULTS

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?	5	X		Cllr Pemberton
1.	Do the terms of reference cover the core functions of an Audit Committee as identified in the CIPFA guidance?	5	X		Cllr Dodd – 'Mostly'. K Feather – 'To be updated re L.G. Measure'. Cllr Pemberton
1.	Are the terms of reference approved by the Council and reviewed periodically?	4	X		Cllr Dodd – Ticked Yes and No K Feather – 'To be updated re L.G. Measure' Cllr Pemberton
1.	Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	4	X		Cllr Dodd – Left blank. 'Mostly'. K Feather – 'To be updated re L.G. Measure' Cllr Pemberton
1.	Can the Audit Committee access other committees and full Council as necessary?	6			
1.	Does the Authority's Statement of Internal Control include a description of the Audit Committee's establishment and activities?	4	X		Cllr Dodd – Left blank. 'Mostly'. Cllr Pemberton
1.	Does the Audit Committee periodically assess its own effectiveness?	5	X		C Everett – 'Through this process, the FWP and informal discussion'. Cllr Pemberton
2.	Does the Audit Committee make a formal annual report on its work and performance during the year to full Council?	3	X X X		Cllr Dodd K Feather Cllr Pemberton

	Membership, Induction and Training				
1.	Has the membership of the Audit Committee been formally agreed and a quorum set?	5	X		Cllr Pemberton
1.	Is the Chair independent of the Executive function?	6			
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?	5			Cllr Pemberton – Left blank "Don't know"
1.	Are new Audit Committee Members provided with an appropriate induction?	5	X		C Everett – '2012 Member induction programme in running newly appointed members'. Cllr Pemberton
1.	Have all Members' skills and experiences been assessed and training given for identified gaps?	3	X X X		Cllr Billy Mullin – 'New Members will have training given to them'. C Everett – 'Not as whole although specific skills/knowledge are met when raised'. Cllr Dodd Cllr Pemberton
1.	Has each Member declared his or her business interests?	5	X		Cllr Dodd – 'Believe so'. Cllr Pemberton
2.	Are Members sufficiently independent of the other key committees of the Council?	2	X X X X		Cllr Billy Mullin – 'Some are Chairs of other committees'. C Everett – 'There is an overrun in interests at times (this is inevitable)'. K Feather – 'Some duplication with Overview & Scrutiny'. Cllr Pemberton
	Meetings				
1.	Does the Audit Committee meet regularly?	5	X		Cllr Pemberton
1.	Do the terms of reference set out the frequency of meetings?	3	X X		C Everett – 'The council diary and FWP docs set this out'. K Feather Cllr Pemberton – Left blank "Don't know"

1.	Does the Audit Committee calendar meet the Authority's business needs, governance needs and the financial calendar?	4	X		Cllr Dodd – Left blank. 'Mostly'. Cllr Pemberton
1.	Are Members attending meetings on a regular basis and, if not, is appropriate action taken?	6			Cllr Billy Mullin – 'Members have good attendance'.
1.	Are meetings free and open without political influences being displayed?	6			C Everett – 'Mainly. There are a small number of examples to the contrary'. Cllr Roberts – 'Generally'.
1.	Does the Authority's S.151 Officer or Deputy attend all meetings?	6			
1.	Does the Audit Committee have the benefit of attendance of appropriate Officers at its meetings?	4	X		Cllr Roberts – 'Chief Exec, Monitoring Officer, Head of Finance, WAO External Auditors'. Cllr Dodd – 'Not service providers'. Cllr Pemberton – Left Blank "Not always"
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?	5	X		Cllr Pemberton
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?	6			
1.	Does the Audit Committee consider how meaningful the AGS is?	4	X X		Cllr Billy Mullin Cllr Pemberton

No.	Question	Score			Comments
1.	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	5	X		Cllr Pemberton
1.	Has the Audit Committee considered how it integrates with other committees that may have responsibility for risk management?	5	X		C Everett – 'The devolved risk assurance processes are owned by the constitute parts of the council'. Cllr Roberts – 'Risk Management is a key issue'. Cllr Pemberton
1.	Has the Audit Committee (with delegated responsibility) or the full Council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption"?	3	X X X		Cllr Billy Mullin C Everett – 'To be answered factually by the Head of Internal Audit (I believe so)'. K Feather – 'But this is carried out in practice & there are policies in place e.g. Anti-Fraud & Corruption Fraud response'. Cllr Pemberton
1.	Does the Audit Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	5	X		Cllr Dodd – 'Mostly'. K Feather – 'But this is carried out in practice & there are policies in place e.g. Anti-Fraud & Corruption Fraud response'
2.	Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?	5	X		Cllr Pemberton
2.	Does the Audit Committee review the Authority's strategic risk register at least annually?	5	X		Cllr Dodd
2.	Does the Audit Committee monitor how the Authority assesses its risk?	6			
2.	Does the Audit Committee's terms of reference include oversight of the risk management process?	5		X	Cllr Billy Mullin

FINANCIAL REPORTING AND REGULATORY MATTERS					
1.	Is the Audit Committee's role in the consideration and/or approval of the annual accounts clearly defined?	4	X		Cllr Roberts – Left blank Cllr Pemberton
1.	Does the Audit Committee consider specifically: • 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?	5	X		Cllr Roberts – Not sure about major judgements made and large write-offs. Cllr Dodd – Ticked no for Major judgements made, large write-offs and changes in accounting treatment. Cllr Pemberton – Only ticked yes for changes in accounting treatment.
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?	6			
1.	Does the Audit Committee review management letter of representation?	6			
2.	Does the Audit Committee annually review the accounting policies of the Authority?	5	X		Cllr Pemberton
2.	Does the Audit Committee gain an understanding of management's procedures for preparing the Authority's annual accounts?	5	X		Cllr Roberts – 'And drop in sessions to assist members'. Cllr Pemberton
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?	5	X		Cllr Pemberton

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?	5		X	Cllr Billy Mullin
1.	Does internal audit have an appropriate reporting line to the Audit Committee?	6			
1.	Does the Audit Committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	6			
1.	Are follow-up audits by internal audit monitored by the Audit Committee and does the Committee consider the adequacy of implementation of recommendations?	6			Cllr Dodd – 'Mostly'. Cllr Pemberton – "Sometimes, certain matters do not have a follow up report so that the Committee can see outcome. Audit Committee meetings are not held often enough to keep regularly on top of such matters".
1.	Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?	4	X X		Cllr Billy Mullin Cllr Roberts – 'And WAO and External Auditors'. Cllr Pemberton
1.	Is there appropriate co-operation between the internal and external auditors?	5	X		Cllr Pemberton
1.	Does the Audit Committee review the adequacy of internal audit staffing and other resources?	4	X X		Cllr Dodd Cllr Pemberton
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.	5	X		K Feather – 'Annual Internal Self Assessment'. Cllr Pemberton

No.	Question	Score			Comments
2.	Are internal audit performance measures monitored by the Audit Committee.	5	X		Cllr Pemberton
2.	Has the Audit Committee considered the information it wishes to receive from Internal Audit?	4		X	Cllr Roberts – left blank. 'This is in need of future discussion'. Cllr Dodd – 'Mostly'. K Feather – 'Will be reviewed for new Council post May elections'. Cllr Pemberton
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)?	4	X X		Cllr Dodd Cllr Pemberton
1.	Does the Audit Committee hold periodic private discussions with the external auditor?	5		X	K Feather – 'Annually'. Cllr Pemberton
1.	Does the Audit Committee review the external auditor's annual report to those charged with governance?	5		X	Cllr Pemberton
1.	Does the Audit Committee ensure that officers are monitoring action taken to implement external audit recommendations?	4	X X		Cllr Dodd Cllr Pemberton
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?	6			
1.	Does the Audit Committee assess the performance of external audit?	2		X X X	Cllr Roberts – Left blank. 'We discuss it regularly'. Cllr Dodd K Feather Cllr Pemberton

No.	Question	Score			Comments
1.	Does the Audit Committee consider and approve the external audit fee?	2	X X X		Cllr Roberts – Left blank. 'I thought we were told what it was'. Cllr Dodd K Feather Cllr Pemberton
ADMINISTRATION					
Agenda Management					
1.	Does the Audit Committee have a designated secretary from Committee/ Member Services?	4	X		Cllr Dodd – 'Regular not designated'. Cllr Pemberton – Left blank "I think so".
1.	Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee Members?	4	X		Cllr Roberts – 'New systems mean that papers are circulated 5 days in advance'. Cllr Dodd Cllr Pemberton – Left blank – "Not always – because there are not enough meetings – as a result normally of the amount of work papers could be presented to members earlier. It would help if minutes of meetings were sent to committee members asap after each meeting. This comment is also relevant to O&S committee.
2.	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	3	X X X		Cllr Billy Mullin C Everett – 'FWP'. K Feather – 'This is a development opportunity for the new committee in May'. Cllr Pemberton
2.	Are inputs for Any Other Business formally requested in advance from Committee Members, relevant officers, internal and external audit?	3	X X		Cllr Roberts – Left blank. 'AOB not on agenda'. Cllr Dodd – 'But not always made available'. K Feather Cllr Pemberton

	Papers				
1.	Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	5	X		Cllr Dodd – 'Just about'. Cllr Pemberton
2.	Does the Audit Committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	3	X X X		Cllr Billy Mullin K Feather – 'But the Committee does request papers to be brought on an ad hoc basis'. Cllr Pemberton
	Actions Arising				
1.	Are minutes prepared and circulated promptly to the appropriate people?	5	 X		Cllr Roberts – 'At the next meeting'. Cllr Dodd – Ticked Yes and No'. Cllr Pemberton
1.	Is a report on matters arising made and minuted at the Audit Committee's next meeting?	4	 X		Cllr Roberts – 'Matters arising is not formally discussed. They will be agended'. Cllr Dodd
1.	Do action points indicate who is to perform what and by when?	3	X X X X		Cllr Roberts Cllr Dodd K Feather – 'New "Action Sheet" process is effective'. Cllr Pemberton

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 14

REPORT TO: **AUDIT COMMITTEE**
DATE : **26 MARCH 2012**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT**

1.00 **PURPOSE OF REPORT**

1.01 To inform members of the level of compliance of the Internal Audit section with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the UK.

2.00 **BACKGROUND**

2.01 In December 2006 CIPFA published an updated Code of Practice for Internal Audit departments operating within Local Government, including a checklist to show compliance with the Code of Practice. This is completed for Flintshire County Council on an annual basis.

2.02 The checklist has now been completed again to show the up to date position. This is part of the preparation for the Annual Governance Statement for 2011/12, which will be presented to the Committee in July 2012.

3.00 **CONSIDERATIONS**

3.01 The completed checklist shows a high level of compliance with the Code of Practice, with further work required in a few areas which will be addressed over the coming months.

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.

Date: 16/03/2012

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   CIPFA Code of Practice checklist

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 BACKGROUND DOCUMENTS

None

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CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT IN THE UNITED KINGDOM

Key: Y = Yes, P = Partial, N = No
References relate to the Code of Practice

Ref	Adherence to the Standard	Y	P	N	Evidence
1	**Scope of Internal Audit**				
1.1	**Terms of Reference**				
1.1.1	Do terms of reference:				The Internal Audit Charter includes the responsibilities, independence, role and rights of access. These are also included in the Council's Financial Regulations. The position of Internal Audit Manager is contracted out to RSM Tenon, the contract specifies the reporting lines and the requirement for an annual report. The annual plan includes the resource requirements, this is presented to the Audit Committee.
	[a] establish the responsibilities and objectives of Internal Audit?	√			
	[b] establish the organisational independence of Internal Audit?	√			
	[c] establish the accountability, reporting lines and relationships between the Head of Internal Audit and:	√			
	[i] those charged with governance?				
	[ii] those parties to whom the Head of Internal Audit may report?				
	[d] recognise that Internal Audit's remit extends to the entire control environment of the organisation?	√			
	[e] identify Internal Audit's contribution to the review of the effectiveness of the control environment?	√			
	[f] require and enable the Head of Internal Audit to deliver an annual audit opinion?	√			
	[g] define the role of Internal of Internal Audit in any fraud-related or consultancy work (see also 1.3.2)?	√			
	[h] explain how Internal Audit's resource requirements will be assessed?	√			
	[i] establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	√			
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	√			The Internal Audit Charter was updated and approved by the Audit Committee in June 2011.
1.1.3	Have the terms of reference been formally approved by the organisation?	√			As above.
1.1.3	Are terms of reference regularly reviewed?	√			The Charter will be reviewed every two years.

1.2	**Scope of Work**				
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	√			The planning process is closely linked to the Authority's Strategic Assessment of Risks and Challenges and the Operational Risk Register.
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified : [a] how assurance will be sought? [b] agreed access rights where appropriate?	√			Where appropriate we work with External Audit and have agreed a Protocol with them. With the proposed increase in collaboration with other Authorities this will be included in agreements.
1.3	**Other Work**				
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: [a] skills, and [b] resources to do this?	√			The department includes trained and experienced investigators. Where appropriate, we will arrange for a specialist from the RSM Tenon consulting team or for a specialist investigator to have involvement in any fraud or corruption work. As a large professional services firm RSM Tenon employ a wide range of specialists and consultants that can be brought in to add specific skills or experience to the internal audit team as required. Resources to deliver the annual plan are agreed by the Audit Committee.
1.3.2	Do the terms of reference define Internal Audit's role in: [a] fraud and corruption? [b] consultancy work?	√			Defined in the Charter.
1.4	**Fraud and Corruption**				
1.4.2	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	√			The Anti Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy were reissued in December 2010. They make it clear that Internal Audit will be notified of any suspected or detected fraud, corruption or impropriety.

2	Independence				
2.1	**Principles of Independence**				
2.1.1	Is Internal Audit: [a] independent of the activities it audits? [b] free from any non-audit (operational) duties?	√ √			As a provider of internal audit services we do not have operational management responsibilities within the Authority.
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	√			The department is of sufficient size to make this practicable.
2.2	**Organisational Independence**				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	√			The independent status of Internal Audit is specified in Council Financial Procedure Rules and Constitution, and the Internal Audit Charter.
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?	√			The Internal Audit department issues individual reports for each assignment. Summary reports are issued to the Audit Committee, along with detailed findings of limited assurance reports. An annual head of internal audit opinion and report is issued by the Internal Audit Manager.
2.2.2	Does the Head of Internal Audit have direct access to: [a] officers? [b] members?	√ √			There are no restrictions on access to officers or members.

2.2.3	[a] Is there an assessment that the budget for Internal Audit is adequate?
	[b] Does any budget delegated to service areas ensure that:
	  [i] Internal Audit adherence to the Code is not compromised?
	  [ii] the scope of Internal Audit is not affected?
	  [iii] Internal Audit can continue to provide assurance for the Statement on Internal Control?
		√			The budget is sufficient to provide for the staffing levels that are required to meet the annual plan.
					
					None of the budget is delegated to service areas.

2.3	**Status of the Head of Internal Audit**				
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	√			The Internal Audit Manager reports to the Head of Finance (Section 151 Officer). He also reports to an RSM Tenon Director.

2.5	**Independence of Internal Audit Contractors**				
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	√			Some work can be performed by RSM Tenon staff, where necessary to meet the plan. This is managed to prevent any possible conflict of interest.
2.6	**Declaration of Interest**				
2.6.1	Do audit staff make formal declarations of interest?	√			Formal declarations of interest are made by all audit staff annually.
2.6.2	Does the planning process take account of the declarations of interest registered by staff?	√			Appropriate staff are used for each audit, ensuring there is no conflict of interest. Staff are also instructed to raise any possible conflict of interest as they arise.
3	**Ethics for Internal Auditors**				
3.1	**Purpose**				
3.1.1	Does the Head on Internal Audit regularly remind staff of their ethical responsibilities?	√			The importance of objectivity, ethical responsibilities and integrity is outlined in the constitution and set out in the internal audit manual. It is known by all staff. Staff are reminded whenever a potential issue arises.
3.2	**Integrity**				
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	√			The importance of objectivity, ethical responsibilities and integrity is outlined in the constitution and is set out in the internal audit manual. All of our work is subject to our internal quality control processes to ensure the quality and integrity of all internal audit work.
3.2.1	Has the internal audit team established an environment of trust and confidence?	√			The team is trusted and respected throughout the Authority.
3.3	**Objectivity**				
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	√			Internal Audit is known to be independent and impartial.

3.3.3	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	√			As audit staff have not recently held operational roles this is not an issue. However, the Principal Auditors are tasked with ensuring that there is no conflict of interest in the staff involved in delivering the internal audit service.
3.3.4	Are staff rotated on regular/annually audited areas?	√			We do not have a formal rotation system; previous work in the audited area is taken into account when planning reviews.
3.4	**Competence**				
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: [a] the organisation's aims, objectives, risks and governance arrangements? [b] the purpose, risks and issues of the service area? [c] the scope of each audit assignment? [d] relevant legislation and other regulatory arrangements that relate to the audit?	√			This is achieved on three levels: • *Flintshire County Council* – all internal audit staff have access to all published strategies, plans and policies and are required to review them in preparation for audit assignments. • *RSM Tenon* – the Internal Audit Manager has access to the RSM Tenon Internal Audit Knowledge Base which is maintained by their dedicated Technical Team. Audit guides, sector specific circulars and publications as well as technical releases are prepared by RSM Tenon to keep staff up to speed with emerging issues and legislation impacting the sector. These are available to FCC audit staff. • *Locally* – the audit management team is responsible for ensuring that all staff are fully briefed relating to individual audit assignments.

3.5	**Confidentiality**				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	√			All staff are aware of the need for confidentiality. This is also set out in the Internal Audit Manual, which all internal audit staff are required to refer to. Staff are reminded whenever a potential issue arises.
4	**Audit Committees**				
4.1	**Purpose of the Audit Committee**				
4.1.1	Does the organisation have an independent audit committee?	√			The Audit Committee is set up within the Constitution.
4.2	**Internal Audit's Relationship with the Audit Committee**				
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	√			The Internal Audit Manager attends all committee meetings, has access to all members and can meet with the Audit Committee Chair if necessary.
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	√			The three year Audit Strategy and one year Audit Plan are presented annually. Progress against the plan is reported to each committee meeting.
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	√			The three year Audit Strategy and one year Audit Plan are presented annually. Progress against the plan is reported to each committee meeting.

4.2.4	Does the Head of Internal Audit: [a] attend the committee and contribute to its agenda? [b] participate in the committee's review of its own remit and effectiveness? [c] ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives? [d] report on the outcomes of internal audit work to the committee? [e] establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa? [f] present the annual internal audit report to the committee?	√			Attendance at Audit Committee is usually by the Internal Audit Manager and RSM Tenon Director. The Internal Audit Manager prepares the committee agenda in consultation with the Chair, officers and external auditors. The committee completes a self assessment annually. The committee receives and approves the annual Strategic Audit Plan which outlines how Internal Audit will fulfil its objectives. At audit committee meetings during the year we present a progress report on performance against the internal audit plan, a report highlighting the most significant findings of recent audit reviews and a report on current investigations. The audit plan is flexible and is changed as necessary to accommodate anything arising in the committee. RSM Tenon attend the audit committee to present the annual internal audit report at the end of the financial year.
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	√			There is a private meeting annually. The Internal Audit Manager has full and free access to the audit committee.
5	**Relationships**				
5.1	**Principles of Good Relationships**				
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with: [a] management? [b] other internal auditors? [c] external auditors? [d] other regulators and inspectors? [e] elected members?	√ √		√	Internal Audit Charter N/A Protocol agreed with external auditors.

5.2	**Relationships with Management**				
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	√			The Internal Audit Manager and the internal audit management team seek to make and maintain good working relationships with key managers across the organisation.
5.2.2	Is the timing of audit work planned in conjunction with management?	√			We set out the proposed timing of audit work in the annual periodic plan, which is discussed with management as well as being presented to the audit committee. We then agree the specific timing of each audit with the appropriate manager for each audit area.
5.3	**Relationships with Other Internal Auditors**				
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?				N/A Collaboration will increase and formal arrangements will be agreed as necessary.
5.4	**Relationships with External Auditors**				
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?		√		We always allow External Audit access to our internal audit working papers. It is not standard practice for internal auditors to be permitted access to external audit working papers which we would need to be able to place reliance on their work. Meetings take place with the WAO (external auditors) to ensure that internal and external audit plans are complementary.
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	√			
5.4.3	Are the internal and external audit plans co-ordinated?	√			
5.5	**Relationships with Other Regulators and Inspectors**				
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	√			Dialogue takes place with agencies as appropriate, e.g. DELLS, CSSIW, Estyn, WAG.
5.6	**Relationships with Elected Members**				
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?			√	Members can contact the Head of Internal Audit at any time.
5.6.1	Does the Head of Internal Audit maintain good working relationships with members?	√			Members refer areas of concern to the audit team.

6	Staffing, Training and Continuing Professional Development				
6.1	Staffing Internal Audit				
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	√			The team is currently undergoing a restructure, which has led to a temporary shortfall of staff. Some of the shortfall has been covered by utilising RSM Tenon staff. Recruitment is taking place to bring the department to the agreed level of staffing. There has been a reduction in the current year's plan, but essential areas have still been covered. Staff are supported in studying for professional exams. The staff appraisal system is used to identify development needs. The Internal Audit Manager is contracted out to RSM Tenon, and has access to specialist and general RSM Tenon staff as necessary to complete the plan.
6.1.1	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	√			The Internal Audit Manager has access to RSM Tenon resources. As a large professional services firm, they can provide a wide variety of skills and expertise outside of the core internal audit team.
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	√			FCIIA, MCIIA, with more than 25 years internal audit experience. Backed up by an RSM Tenon Director who has many years experience in managing teams and internal audit services.
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	√			
6.1.3	[a] Do all internal audit staff have up to date job descriptions? [b] Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	√ √			Job descriptions and person specifications are maintained for all positions within the department. Currently being updated as part of the service review. The department is currently undergoing a restructure as part of a service review. The numbers, grades, qualifications, attributes and skills and experience necessary to meet the new departmental needs have been defined in that review.

6.2	**Training and Continuing Professional Development**				
6.2.1	[a] Has the Head of Internal Audit defined the skills and competencies for each level of auditor? [b] Are individual auditors periodically assessed against these predetermined skills and competencies? [c] Are training or development needs identified and included in an appropriate ongoing development programme? [d] Is the development programme recorded, regularly reviewed and monitored.	√			Job descriptions and person specifications include accountabilities and skills required for each level of auditor. These have been revised as part of the service review. This is used to help assess and develop staff. These relate to various attributes including qualifications, experience, technical expertise and people skills. Key competencies have been defined for all staff, which will be used to focus training. All staff will participate in an annual appraisal, as well as a mid-year review, leading to a personal development plan for each individual.
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	√			All members of staff are required to maintain a record of all of their training and development activities
7	**Audit Strategy and Planning**				
7.1	**Audit Strategy**				
7.1.1	[a] Is there an *internal audit* strategy for delivering the service? [b] Is it kept up to date with the organisation and its changing priorities?	√ √			We prepare an internal audit strategy for the organisation based on risk and the needs of the organisation. The internal audit strategy is reviewed on an annual basis and updated to reflect changing priorities and subsequent changes on the risk profile of the organisation.
7.1.2	Does the strategy include: [a] Internal Audit objectives and outcomes? [b] how the Head of Internal Audit will form and evidence his or her opinion on the control environment? [c] how Internal Audit's work will identify and address local and national issues and risks? [d] how the service will be provided, i.e. internally, externally, or a mix of the two? [e] the resources and skills required to deliver the strategy?	 √ √ √ √ √			Our internal audit strategy sets out the purpose of internal audit, and maps the Authority's audit needs to its strategic objectives as well as to risks facing the Authority and to national emerging issues. The strategy also sets out the use of internal resource supported by RSM Tenon specialists where necessary.
7.1.3	Has the strategy been approved by the audit committee?	√			We submit the audit strategy to the audit committee for approval annually.

7.2	**Audit Planning**				
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	√			The internal audit strategy and periodic plan are derived from discussions with senior management, a review of the Authority's risk management framework, the consideration of key objectives for the Authority and other assurance processes that are in place.
7.2.1	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	√			The risk management process within the Authority has been developed during the last few years. We use the information from the Strategic Assessment of Risks and Challenges and Service Plans to prepare the audit plan.
7.2.1	Are stakeholders consulted on the audit plan?	√			Our planning process includes meeting and discussing audit needs with key members of management across the organisation. We also meet with the external auditors to agree where internal audit work will be relied upon by external audit.
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	√			The plan includes audit work in each Directorate and the Corporate Centre, as well as the Authority as a whole.
7.2.3	Does the plan: [a] cover a fixed period of no longer than one year? [b] outline the assignment to be carried out? [c] prioritise assignments? [d] estimate the resources required? [e] differentiate between assurance and other work? [f] allow a degree of flexibility?	√ √ √ √ √ √			Our periodic plan covers a financial year. It lists the assignments to be carried out, with a brief overview of the work to be completed and an estimate of the number of days to be allocated to them. Risk based reviews are shown separately from regulatory work and advisory work. It also includes a provision for requests from management. Where any changes are required to the periodic plan, this is discussed with management and proposed changes to the audit plan taken to the audit committee for approval. This can be done at any time during the year to address a change in audit need or risk profile.

7.2.4	Has the plan been approved by the audit committee	√			We take our strategic plan and the periodic plan for the year to the Audit Committee for their approval at the start of the financial year.
7.2.4	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	√			A progress report is submitted to each audit committee meeting. This includes amendments to the plan, including the need for any additional resources.
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	√			A progress report is submitted to each audit committee meeting. If significant matters arise impacting delivery of the plan, these are reported in the progress report.
8	**Undertaking Audit Work**				
8.1	**Planning**				
8.1.1	[a] Is a brief prepared for each audit? [b] is the brief discussed and agreed with relevant managers?	√			Following a planning meeting or discussion, an Assignment Planning Sheet is issued to the manager in advance of the audit commencing, setting out the scope and timing of the audit, as well as other details such as the manager responsible for that audit. This provides the relevant managers and staff with an opportunity to comment on the brief.
8.1.1	Does the brief set out: [a] objectives? [b] scope? [c] timing? [d] resources? [e] reporting requirements?	√			
8.2	**Approach**				
8.2.1	Is a risk-based audit approach used?	√			RSM Tenon's internal audit methodology is used, which is a risk based internal audit methodology.
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	√			All staff members are encouraged to liaise with management to keep them appraised of significant issues arising from internal audit work as well as providing formal feedback at the audit debrief meeting.
8.2.4	Does the audit approach include a quality review process for each audit?	√			A quality review process is built into our internal audit methodology. This is set out in the internal audit manual. Principal Auditors review each audit file.

8.3	**Recording Audit Assignments**				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	√			The internal audit manual sets out the standards for audit documentation and working papers.
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	√			Management review of working papers, and the internal quality review process, encompass the standard and consistency of internal audit work. This is set out in the internal audit manual.
8.3.2	Are working papers such that an experienced auditor can easily: [a] identify the work that has been performed? [b] re-perform it if necessary? [c] see how the work supports the conclusions reached?	√			Our automated working papers, 4Audit, are used by all of our internal audit team. They have been developed by RSM Tenon to include fields to record key data so that testing is re-performable. Standards for the completion of working papers and audit files are set out in the internal audit manual.
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	√			Audit documentation is retained according to FCC's retention policy.
8.3.3	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	√			Audit documentation is retained according to FCC's retention policy.
8.3.3	Is there an access policy for audit files and records?	√			Access to audit files is specified in the audit charter.

9	Due Professional Care				
9.2	**Responsibilities of the Individual Auditor**				
9.2.1	Are there documents that set out the requirements on all audit staff in terms of: [a] being fair and not allowing prejudice or bias to override objectivity? [b] declaring interests that could be perceived to be conflicting or could potentially lead to conflict? [c] receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? [d] using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions? [e] being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest? [f] having sufficient knowledge to identify indicators that fraud or corruption may have been committed? [g] disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice? [h] disclosing any non-compliance with these standards? [i] not using information they gain in the course of their duties for personal use?	√			Ethical standards for internal auditors are set out in the internal audit manual. In addition, FCC's code of conduct for officers applies to all auditors. New internal auditors are provided with training on due professional care, objectivity and quality as part of their induction. Declaration of Interest forms are completed by all staff annually.
9.3	**Responsibilities of the Head of Internal Audit**				
9.3.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	√			Our procedures and expectations for supervision, quality review and management are set out in the internal audit manual. All reports and working papers are reviewed before the issue of a draft report.
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	√			All audit staff members are provided with guidance on actions to take if they have any suspicions of fraud or corruption.

10	Reporting				
10.1	**Principles of Reporting**				
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	√			We only issue an opinion for assurance work. Some assignments are advisory reviews and a formal opinion is not provided, although those reports will still highlight the issues that the organisation needs to address, and the risk implications of those issues.
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	√			We have a defined reporting format that all members of our internal audit team are required to use. This has been developed to meet the various internal audit standards we are required to meet, as well as to provide a useful and meaningful audit report to the Authority.
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	√			Standards for internal audit reporting are set out in the internal audit manual. Reporting templates are generated from the working papers to provide consistency.
10.1.5	Are there laid-down timescales for reports to be issued?	√			Draft reports should be issued within 20 working days of the end of the fieldwork. Final reports should be issued within 5 working days of receipt of the responses to the draft report.
10.2	**Reporting on Audit Work**				
10.1.4 10.1.4 10.2.2 10.2.1 10.1.4 10.2.1	Do the reporting standards include: [a] format of the reports? [b] quality assurance of reports? [c] the need to state the scope and purpose of the audit? [d] the requirement to give an opinion? [e] process for agreeing reports with the recipients? [f] an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	√			The internal audit manual provides staff and managers with requirements on all of these areas. All audit reports contain an action plan to record the action that management have agreed to take to address the issues identified by internal audit.

10.2.3	Does the audit reporting process include discussion and agreement of reports?	√			Our methodology includes a debrief stage, where the findings of the audit, and our proposed recommendations are discussed with auditees. Our internal audit reports are then issued in draft to the auditee(s). Our report will not be finalised until management comments have been received; these are recorded in the action plan of each report.
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	√			All recommendations made in reports providing assurance are categorised in line with our risk based audit methodology. The categorisation of recommendations and an explanation of each category is provided within our automated audit working papers and in the internal audit manual.
10.2.5	Are areas of disagreement recorded appropriately?	√			Where possible disagreements are resolved. However, if that were not possible, they would be recorded within the report and referred to Directors.
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	√			Where possible disagreements are resolved. However, if that were not possible, they would be recorded within the report and referred to Directors.
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	√			The report distribution is set out in the Assignment Planning Sheet that is issued before the audit commences.
10.2.6	[a] Does the reporting process include details of circulation of that particular audit report? [b] Is this included in the brief for each individual audit?	√			Our internal audit reports record to whom the report has been issued, and whether the report is in draft or final form as well as the date of issue at each stage.
10.2.7	Does the Head of Internal Audit have mechanisms in place to ensure that: [a] recommendations that have a wider impact are reported to the appropriate forums? [b] risk registers are updated?	√		√	Reports are circulated as necessary, according to their scope and findings. The risk management process within the Authority is still being developed. Updating registers from audit findings will be started in 2012/13.

10.3	**Follow-up Audits and Reporting**				
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	√			Recommendations from each audit are followed up as part of the next audit in that area. Specific follow up reviews are scheduled as necessary.
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	√			Recommendation tracking takes place on an ongoing basis. Reports are submitted to each audit committee on the status of recommendations.
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	√			Each follow up report includes an audit opinion, based on the level of implementation of recommendations from the original report.
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	√			All previous internal audit reports are available to staff to help them plan and undertake the next audit.
10.4	**Annual Reporting and Presentation of Audit Opinion**				
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	√			The Audit Manager provides an annual internal audit report. This is used to inform the Annual Governance Statement.
10.4.2	Does the Head of Internal Audit's annual report: [a] include an opinion on the overall adequacy and effectiveness of the organisation's control environment? [b] disclose any qualifications to that opinion, together with the reasons for the qualification? [c] present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies? [d] draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control? [e] compare that actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets? [f] comment on compliance with the standards of the Code? [g] communicate the results of the internal audit quality assurance programme?	√			RSM Tenon's Technical Team advises our internal audit team on the required content of internal audit reports. The annual report is designed to meet the requirements of both the Code and to meet best practice.

		√			
10.4.3	Has the Head of Internal Audit made provisions for interim reporting to the organisation during the year?	√			A summary of audits completed is presented to each audit committee meeting. This includes detailed findings from reports where there is limited assurance.
11	**Performance, Quality and Effectiveness**				
11.1	**Principles of Performance, Quality and Effectiveness**				
11.1.1	Is there an audit manual?	√			An internal audit manual is available to all members of the internal audit team. It was updated and reissued in January 2012.
11.1.1	Does the audit manual provide guidance on: [a] carrying out day-to-day audit work? [b] complying with the Code?	√			The internal audit manual provides guidance to staff on how to perform audit work, and compliance with the Code and other internal audit standards with which we are required to comply.
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	√			The internal audit manual was updated and reissued in 2012 after RSM Tenon issued their own updated working papers and manual.
11.1.2	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: [a] each individual audit? [b] the internal audit service as a whole?	√ √			Our internal audit methodology includes a formal quality control process for each audit. It is intended to make use of the RSM Tenon quality assurance review process where internal audit services of their clients are reviewed by an independent team.
11.2	**Quality Assurance of Audit Work**				
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	√			The skills and experience that we need to deliver the internal audit plan is planned at the start of the year. Where appropriate, we will draw on specialists to bring particular skills or experience to the delivery of the periodic plan.
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	√			The Internal Audit Manager and the Principal Auditors are responsible for ensuring that all staff are appropriately supervised.
11.2.2	Does the supervisory process cover: [a] monitoring progress? [b] assessing quality of audit work? [c] coaching staff?	√			

11.3	**Performance and Effectiveness of the Internal Audit Service**				
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	√			The internal audit department has in place a formal quality assurance programme that covers all of our internal audit work Performance indicators are in place to monitor the internal audit service. These are reported to each audit committee meeting. They are also reported to the Finance SMT and then to CMT.

11.3.2	Does the performance management and quality assurance framework include as a minimum:
	[a] a comprehensive set of targets to measure performance:
	  [i] which are developed in consultation with appropriate parties?
	  [ii] which are included in service level agreements, where appropriate?
	  [iii] against which the Head of Internal Audit measures, monitors and reports appropriately on progress?
	[b] user feedback obtained for each individual audit and periodically for the whole service?
	[c] a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?
	[d] Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?
	[e] an action plan to implement improvements?
		√			Targets for performance management have been developed with the audit committee, and are reported to each meeting.
					The department has a Service Plan, which includes overall targets for the year. This is reviewed periodically and updated annually.
					Feedback questionnaires are issued after each individual audit.
					Internal quality is maintained by ongoing monitoring, with improvements made where necessary.

11.3.3	Does the Head of Internal Audit compare the performance and effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	√			Performance against targets is compared with previous years.
11.3.1	Do the results of the performance management and quality assurance programme evidence that the internal audit service is: [a] meeting its aims and objectives? [b] compliant with the Code? [c] meeting internal quality standards? [d] effective, efficient, continuously improving? [e] adding value and assisting the organisation in achieving its objectives?	√			Most of the targets set in the Service Plan and with the audit committee have been met.

11.3.4	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	√			We report on the performance measures agreed within the annual internal audit report.
11.3.5	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	√			We report on the performance measures agreed within the annual internal audit report.