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Head of Legal and Democratic Services
Pennaeth Gwasanaethau Cyfreithiol a Democraidaidd



To: Cllr Alison Halford (Chair)

CS/NG

Councillors: Glyn Banks, Haydn Bateman,
Alan Diskin, Richard Jones, Ian Roberts and
Arnold Woolley

17 September 2012

Paul Williams

Sharon Thomas 01352 702324
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Dear Sir / Madam

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD CH7 6NA** on **TUESDAY, 25TH SEPTEMBER, 2012** at **10.00 AM** to consider the following items.

For Agenda Item 4, Members are requested to bring with them to the meeting the County Council agenda of 25 September 2012.

Yours faithfully

Democracy & Governance Manager

AGENDA

1 **APOLOGIES**

2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

3 **MINUTES** (Pages 1 - 12)

To confirm as a correct record the minutes of the meeting held on 17 July 2012.

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

- 4 **STATEMENT OF ACCOUNTS 2011/12** (Pages 13 - 16)
Report of Head of Finance
- 5 **TREASURY MANAGEMENT MID YEAR UPDATE** (Pages 17 - 36)
Report of Head of Finance
- 6 **INSPECTION REPORT FROM THE OFFICE OF SURVEILLANCE COMMISSIONERS** (Pages 37 - 52)
Report of Head of Legal and Democratic Services
- 7 **ITEMS DEFERRED FROM THE AUDIT PLAN FOR 2010/11 AND 2011/12**
(Pages 53 - 62)
Report of Head of Finance
- 8 **ACTION TRACKING** (Pages 63 - 72)
Report of Head of Finance
- 9 **FORWARD WORK PROGRAMME** (Pages 73 - 76)
Report of Head of Finance
- 10 **INTERNAL AUDIT PROGRESS REPORT** (Pages 77 - 104)
Report of Head of Finance

AUDIT COMMITTEE 17 JULY 2012

Minutes of the meeting of the Audit Committee of Flintshire County Council held at Clwyd Committee Room, County Hall, Mold CH7 6NA on Tuesday, 17 July 2012

PRESENT: Councillor Alison Halford (Chair)

Councillors Glyn Banks, Haydn Bateman, Alan Diskin, Richard Jones, Ian Roberts and Arnold Woolley

LAY MEMBER: Mr Paul Williams

ALSO PRESENT: Councillors Bernie Attridge and Aaron Shotton

IN ATTENDANCE: Chief Executive, Head of Finance, Internal Audit Manager, Democracy & Governance Manager, Corporate Finance Manager, Finance Manager (Strategy & Technical) and Committee Officer

Head of Corporate & Capital Accounting (minute number 17)

Funds Manager (minute number 17)

Mr. Huw Lloyd Jones of Wales Audit Office

15. **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATION)**

No declarations of interest were made.

16. **MINUTES**

The minutes of the meeting of the Committee held on 25 June 2012 were submitted.

Matters Arising

The Chief Executive said that following discussion with officers, it had been agreed to report positively on actions recorded in the minutes at the next meeting if the item was not otherwise included on the agenda.

Minute 6: Certification of Grant Claims and Returns 2010/11 - The Internal Audit Manager reported on new procedures now in place to improve the process and ensure the completion of the grants checklist for each return. The Chief Executive commented on the level of performance reported at the previous meeting and explained the improvements made to the use of grants database and the countersigning of grant returns by specified senior Finance managers following application of the checklist. He added that full compliance was expected in the next grant claim certification 'round'.

Minute 7: Report on Internal Audit - The Internal Audit Manager advised that a plan would be required to meet requirements for the current year and that he and the Head of Finance would discuss with the Chief Executive. He

confirmed that, as in previous years, only non-essential items would be deferred from the plan and that resources in Internal Audit were sufficient to cover essential audit work.

Minute 9: Treasury Management Annual Report 2011/12 and 2012/13 Update - In response to Councillor G.H. Bateman's request for an update on the proposed investment at the rate of 3%, the Head of Finance advised that this had not yet been progressed and that discussions were ongoing with Treasury Management colleagues. She went on to say that officers continued to make judgements on the financial market and confirmed that the Treasury Management Policy set out parameters in which officers could make decisions on investments, which applied in this instance.

Minute 10: Final Reports and Performance Indicators - Following concern on the late implementation date of April 2013 for a Traffic Management issue, it was explained that this date represented when all outstanding issues were to be resolved in that area, however a high proportion of schemes would be finalised in the coming months which meant a high level of compliance ahead of the implementation date.

Minute 11: Operational Audit Plan and Recommendation Tracking - It was explained that suppliers were categorised using the Thomson Classification system which enabled the Procurement Unit to analyse the use of suppliers in more detail. The Internal Audit Manager agreed to circulate to the Committee the set of interim procedures for monitoring consultants which were in use prior to updating of the Contract Procedure Rules in October 2012. The current system involved the completion of a form stating the reason for the appointment of the consultant, objectives and outcomes together with a business case and budget information, to be signed off by the Head of Service who would be responsible for monitoring. The Chief Executive explained this was a more centralised system to ensure that the engagement of consultants was 'signed' off at second tier officer level to ensure consistency.

The Internal Audit Manager had emailed Committee Members responding to other queries raised at the previous meeting. Following discussion on Equifax, he confirmed there was ongoing monitoring of contractors on the Council's approved list, explaining that this was now undertaken by a different company, Credit Safe, who would give notification of any significant changes in the financial performance of contractors. On receipt of such information, the Council would check the contractor's rating against criteria and if this was not met, the company would be informed of their removal from the approved list.

Mr. P.D. Williams said that his comments about the need to look at fundamental areas of high risk had been endorsed by Mr. P. Green of RSM Tenon at the meeting.

Councillor R.B. Jones sought clarity on "significant changes in financial performance" and said that criteria needed to be described. He also referred to Mr. Williams' comment on traffic management as a risk area and said that the level of risk should be balanced against speedier actions. The Internal Audit Manager agreed to provide a separate response on the first comment. He accepted the latter point but added that risk areas were theoretical and that the

transfer of a significant proportion of schemes in the section to a new system would improve matters.

Councillor I.B. Roberts reiterated his comments on use of the Amber status in the Red, Amber, Green (RAG) system. Whilst the Chief Executive recognised the limitations of the system, he explained that this was a colour scheme to aid review and risk assurance. He suggested that the system could be reviewed and refined, with consideration given to the impact on other areas of risk management, with proposals brought back to the Committee at a later date.

On performance indicators, Councillor Jones referred to the last quarterly review considered by Corporate Resources Overview & Scrutiny Committee which indicated 'improved/downturn' to show the direction of the outturn. Councillor A. Woolley suggested that a split box could be used, with one half stating the current position and the other half showing the indicator.

Having met with the Vice-Chair and Internal Audit Manager to discuss queries raised at the previous meeting, the Chair said that further concerns raised by the Vice-Chair on appraisals would be pursued with the Chief Executive.

RESOLVED:

- (a) That the minutes be approved as a correct record and signed by the Chairman;
- (b) That the Internal Audit Manager circulate to the Committee the interim procedures on the monitoring of consultants;
- (c) That the Internal Audit Manager provide clarification on any 'significant changes in financial performance' of companies reported by Credit Safe; and
- (d) That the Red, Amber, Green (RAG) status be reviewed for refinements and proposals brought back to the Committee at a future meeting.

17. DRAFT STATEMENT OF ACCOUNTS 2011/12

The Head of Finance introduced a report to present the Statement of Accounts 2011/12 (subject to audit) for Members' information only at this stage. The accounts would come back to the Committee in late September for approval and recommendation to County Council following the audit. She said that this had been the culmination of work across the whole of the organisation and referred to challenges due to changes in regulations. At today's meeting, the Wales Audit Office (WAO) was represented by Huw Lloyd Jones whose remit related to performance assessment; however the work on the financial audit would be led by Amanda Hughes and colleagues who had already started on the audit work.

The Corporate Finance Manager and Finance Manager (Strategy & Technical) delivered a presentation which detailed the main points:

- Purpose and Background
- Key Dates
- Responsibility
- Contents and Overview
- Links to budget monitoring
- Headlines
- Core Statements
- Next Steps
- Questions

The Finance Manager (Strategy & Technical) said that in line with previous practice, drop-in sessions for Members would be arranged for early September 2012 and she reported on the links between the pages of the accounts and changes in the Code of Practice.

The Head of Finance said that officers had endeavoured to link the regulatory nature of presenting the accounts in accordance with legislation with strategic internal budget monitoring and final budget monitoring reporting to make the information as useful as possible for members. She referred to a new note on exit packages and explained that reports were regularly received by Cabinet and Overview & Scrutiny on retirements and redundancies dealt with under the Council's policies.

Mr. Huw Lloyd Jones of WAO gave information on his role as manager for performance audits across the six North Wales Authorities, with Karen Lees the contact for Flintshire. He also reported on the performance audit work mentioned on the WAO Regulatory Programme which aimed to ensure that the Council was providing value for money. The Chief Executive explained that Mr Lloyd Jones had replaced Mr Stephen Martin who had previously attended meetings of the Committee.

Councillor R.B. Jones referred to the underspend figure on page 2 of the draft accounts which, when reported to the Corporate Resources Overview & Scrutiny Committee, had been split to show an underspend of £1.287M from Directorate services and £1.548M from Corporate Finance. He also queried why the joint arrangements listed on page 69 did not include the Regional School Effectiveness & Improvement Service and Regional Commissioning Hub. On the first question, the Corporate Finance Manager explained that the figure in the draft accounts was in respect of the Central Loans and Investment Account only and agreed to provide Councillor Jones with a reconciliation of the figure contained within the final outturn monitoring report. On joint arrangements, he explained that this was a timing issue as the report had stated the Council's position at 31 March 2012. The Chief Executive commented on the current status of transition of the two collaborative projects which would be included in the following year's accounts.

In response to further queries by Councillor Jones on the revaluation of assets and depreciation of land, the Head of Corporate & Capital Accounting explained that the figure of £817,877 shown on page 4 included investment properties and agricultural estates which were separated on the balance sheet on page 9. On the second query, he stated that land did not depreciate and that it was only the buildings included under the standard asset category heading,

'other land and buildings' on page 15 (such as schools and County Hall) that were subject to a depreciation charge. The Chair asked for further clarity of wording such as this in future reports and this was noted by officers.

Councillor G.H. Bateman raised concerns at the drop in land values on page 4 and queried the increase in values shown on page 9 for vehicles, plant, furniture and equipment and surplus assets. The Chief Executive commented on the difference between revaluation and depreciation. The Head of Corporate & Capital Accounting explained that the comment under 'Critical Judgments in Applying Accounting Policies' on page 12 covered a significant part of the reduced value of assets. On the second query, Councillor Bateman noted that further details were included in the notes on page 41. The Head of Corporate & Capital Accounting explained that finance lease arrangements for refurbishment works at Deeside Leisure Centre had resulted in increased values, as indicated on pages 4 and 50. The Head of Corporate & Capital Accounting pointed out the movement in figures for 'Assets held for sale' shown on the balance sheet and said that at each financial year end, the list of assets likely to be disposed during the following year would be reviewed and any unlikely to be sold would be moved to 'surplus assets'.

Mr. P.D. Williams suggested a change to the heading of 'Current Provisions - Accumulated Absences' on page 54 and asked about accumulated holiday pay. The Finance Manager (Strategy & Technical) spoke about changes to accounting arrangements that required the Council to account for benefits earned by employees but not yet taken. Figures were based on a sample of employees to reflect the population at the balance sheet date, 31 March 2012, the majority of which is the calculated value of annual leave earned but not yet taken. The council operates an annual leave policy that runs from 1 April to the 31 March and allows 5 days leave to be carried forward. This is the majority of the accounting adjustment. The Chief Executive said that the Council had made representations against the new arrangements during consultation and stressed that it was only on exceptional occasions where annual leave had to be bought back from employees or that employees were allowed to carry forward more than five days' annual leave to the following year.

In response to a further question from Mr. Williams on actions to address the increase in rent arrears on page 73, the Chief Executive said that this had been subject to full scrutiny by committees with local press coverage and that further details would be shared with Mr. Williams.

The Chair sought an update on the liquidation of AD Waste and further information on Clwyd Theatr Cymru (CTC) mentioned on pages 55/56. The Corporate Finance Manager reported that the accounts of AD Waste had been closed for 2011/12 on the same basis as that of 2010/11 and that he and the Head of Finance would provide a written update. The Chief Executive explained that CTC was an asset owned by the Council, with 40% core funding from the Council and 60% core funding from the Arts Council for Wales (ACW). The Theatr had an annual turnover of £5.5M but had reported a small operating deficit which was planned to be recovered in 2012/2013. The Chair asked about the cost to the Council if the Theatr was to cease trading. The Chief Executive replied that he was unable to provide a costing but said there would be significant closing and redundancy costs and that the Council could not be assured of ACW

sharing any liability. He stated that the Council had chosen to maintain its commitment to the Theatr in past years and that, unless directed otherwise, he and others would continue to make it a trading success.

Councillor I.B. Roberts commented that the WAO had previously made reference to the governance arrangements of the Theatr. He went on to remark that such an operating deficit would not be allowed at schools but accepted the assurance that this would be recovered, asking when a report on the Theatr would be received at full Council. The Chief Executive said that following a review at his instigation, governance of the Theatr had now been improved including annual reporting of its business plan.

Councillor Roberts expressed concern about the position of the Council in supporting the Theatr as a production company, which he said represented a unique arrangement in Wales. In replying, the Chief Executive said that the Theatr was not a high risk on a performance level.

The Chair spoke of her personal support for the Theatr and questioned whether any further information should be pursued via the Committee, Overview & Scrutiny or Cabinet. Following a comment on funding, Councillor Roberts remarked on a current study funded jointly by the Council and ACW which would be brought back to the Council.

In response to further comments by Councillor Roberts on reporting and the need for Lifelong Learning Overview & Scrutiny Committee to include consideration of CTC in its remit, the Chief Executive said that in addition to regular reports to Cabinet, the Theatr would also be subject to discussion at the ACW Partnership Committee in September 2012. On the latter point, the Democracy & Governance Manager confirmed that a report was to be received at the next Constitution Committee meeting to consider a change to Overview & Scrutiny Committees' Terms of Reference in consideration of CTC.

Following a query by Councillor Bateman on the figures for long-term debtors on the balance sheet, the Head of Corporate & Capital Accounting pointed out that note 25 in the accounts provided detail and a breakdown of figures. The Chief Executive highlighted the increased cost for renewal and improvement loans due to changes in the Housing Renewal Policy. The Head of Finance went on to explain that this was indicative of the Council's work on housing to assist first time buyers or enabling homeowners to upgrade their homes in accordance with Council policy. Councillor Bateman commented on the amount of £100,000 available for this and the Chief Executive explained that this was a new scheme with only a part year commitment which would increase over time and that Housing Overview & Scrutiny Committee had received detail on the implementation of the scheme. The Head of Finance spoke of the limited resources available to work with Tai Clwyd on the scheme and that a phased approach was being taken to help ensure success.

The Chair thanked Members for their questions and the Head of Finance and her team for their explanation on some complex areas and for the work on the accounts.

The Chief Executive also extended his appreciation to the Finance team for completing the accounts within the required deadline, particularly in respect of additional accounting requirements for the North Wales Regional Waste Treatment Partnership.

RESOLVED:

- (a) That the draft Statement of Accounts 2011/12 (including the Annual Governance Statement), together with the underlying policies, be noted; and
- (b) That the planned provision of 'Drop-in' sessions over the summer period, subject to Members' consideration at Audit Committee, be noted.

18. ANNUAL GOVERNANCE STATEMENT

The Democracy & Governance Manager introduced a report for the Committee to review and approve the Annual Governance Statement (AGS), which was included as pages 105-119 of the Statement of Accounts.

It was explained that the AGS had in previous years been considered as part of the Statement of Accounts but that a recommendation had been made to consider this as a separate item. The Democracy & Governance Manager reported on the officer working group set up to prepare the AGS with involvement from Heads of Service in new corporate governance self-assessment arrangements as part of the process.

Councillor R.B. Jones suggested that the five sections of the AGS be clearly indicated at the start of the document and that the first sentence under the Section 2 include reference to the involvement of employees and other resources. On the Governance Framework of the AGS, Councillor Jones referred to the importance of the Council's Priorities and Vision which he felt should be included under Business Planning. The Chief Executive explained that once published, the AGS would be a matter of record whereas the Council's Priorities would be reviewed and updated. The first two suggestions made by Councillor Jones were noted by officers and agreed by the Committee.

RESOLVED:

That the Annual Governance Statement attached to the Statement of Accounts be approved subject to two amendments:

- (i) To clearly indicate at the start the five sections; and
- (ii) The first sentence under Section 2 to be amended to reflect the involvement of staff and other resources.

19. **STATUTORY GUIDANCE ON THE LOCAL GOVERNMENT (WALES) MEASURE 2011**

The Democracy & Governance Manager introduced a report on the recently issued statutory guidance insofar as it related to the work of the Committee.

He reported on the outcome of the Council's representations when consulted on the draft Welsh Government (WG) guidance which had been previously considered by the Committee. He advised that some of the points made by the Council had been taken on board and others had been partly addressed. He confirmed that the appointment of Mr. P.D. Williams as the lay member on the Committee meant that the Council was compliant with the terms of the Measure and the statutory guidance.

Councillor R.B. Jones commented on the over-prescription of issues in the WG guidance and said that changes to Article 7(d) of the Constitution relating to scrutiny of the Council's financial affairs was not an accurate reflection of the Audit Committee's role as this was under the remit of the Corporate Resources Overview & Scrutiny Committee. The Democracy & Governance Manager reiterated that the Council had made representations for local choice rather than treating all 22 Welsh Councils in the same way and this had led to some clarification by WG as stated in the report. On financial affairs of the Council, the Chief Executive accepted that there would be a degree of duplication and said that if Members felt that financial performance was an issue of risk to the Council, then the Corporate Resources Overview & Scrutiny Committee could be asked to undertake some work on this and that the Audit Committee would provide a 'check and balance'.

Councillor Jones said that value for money was a key issue for the Audit Committee. Mr. Huw Lloyd Jones of Wales Audit Office (WAO) agreed that this was a valid point and spoke of the WAO's support of the Council fulfilling objectives. The Chief Executive suggested it would be appropriate for the Medium Term Financial Plan to incorporate how the Council would ensure value for money and that where work was done for the Audit Committee, follow-up questions could be sought to demonstrate value for money.

Mr. P.D. Williams referred to the final sentence of paragraph 3.06 of the report and asked how the Committee would seek assurance that the budgetary control systems were working and whether Overview & Scrutiny committees were audited on their effectiveness.

The Head of Finance explained that under current arrangements, financial systems/processes were subject to work by Internal Audit on the Audit Plan and consideration by the Audit Committee. She suggested that in response to the comments made by the Chief Executive, a report could be brought back to the Committee in the Autumn following discussion with the Chair and Vice-Chair. The Chief Executive spoke of possible involvement by Overview & Scrutiny to address any questions on the overseeing of budget reports. He and the Democracy & Governance Manager explained that it was not for Audit Committee to audit the effectiveness of Overview & Scrutiny.

Mr Huw Lloyd Jones said that the WAO monitored the work of Overview & Scrutiny and that an improvement study to be undertaken across Councils later in the year would lead to a national report and feedback, with a summary report on this to be provided by WAO in due course. In response to comments on value for money, he suggested that the best way forward would be for him to discuss with the Chief Executive and Head of Finance.

RESOLVED:

That the provisions in the statutory guidance relating to Audit Committees be noted.

20. WAO REGULATORY PROGRAMME

The Head of Finance introduced a report on the proposed Regulatory Programme for Performance Audit for the Wales Audit Office (WAO) for the period April 2012 to March 2013.

The Chief Executive explained that the Programme related to the performance side of annual work undertaken by the WAO and that the Programme assessed the overall effective governance performance alongside national studies. The Programme had been agreed by the Council and WAO with involvement by the Internal Audit Manager. The Chief Executive added that he and other senior officers had no objections to the WAO report.

Mr. Huw Lloyd Jones of WAO drew attention to paragraph 6 of the report which indicated work on the annual Improvement Assessment of the Council's compliance with the 2009 Measure. This included assessing the likelihood of the Council's arrangements to secure continuous improvement and would be informed by national studies on all Councils in Wales to influence policies at national level and practices at local level. He added that Mr. Stephen Martin had previously indicated that an annual full assessment of Councils' arrangements would be carried out, although it had since been agreed that this would take place every four years. For the current year, an assessment would be made on the extent to which Councils had followed proposals previously made by WAO. He detailed the WAO performance work planned for 2012-13 shown in Appendix 1 to the report and fees in Appendix 4 which had been reduced from the previous year to achieve consistency across Wales.

In response to a query by the Chair, the Head of Finance said that VAT costs could be reclaimed by the Council.

For the benefit of new Members of the Committee, the Chair suggested that explanation be given on how self-assessment could be done. Mr. Lloyd Jones spoke about the increasing reliance on self-assessment by Councils across Wales and the need for this to be done prior to Estyn inspections. He stated the view of the WAO that mature Councils were able to robustly reflect on their own performance which in turn affected work undertaken by WAO. He highlighted the availability of CIPFA and Solace guidance on the Annual Government Statement with the emphasis on this being evidence based and engaging with as many people as possible on the process. The discussion earlier

in the meeting indicated that the Council's process for the preparation of the Annual Governance Statement was more advanced than most.

The Chief Executive spoke of his involvement in national work and said there was a growing expectation that self-assessment would increase at the expense of external regulation. The Council's track record of self-assessment had been measured very highly by external regulators and it was intended to undertake a further assessment over the next 6-8 months with possible involvement by Audit. Further details of this would be available at a later stage.

RESOLVED:

That the proposed Regulatory Programme for Performance Audit of the Wales Audit Office for the period April 2012 to March 2013 be received and accepted.

21. REPORT FORMAT

The Internal Audit Manager introduced a report to present the proposed new format for the Internal Audit progress report.

Following previous discussion on changes to the format and content of reports, the Internal Audit Manager presented an example single report comprising five sections to replace the two reports previously received for 'Operational Plan and Recommendation Tracking' and 'Final Reports and Performance Indicators'. He explained that the example report contained information submitted to the previous meeting of the Committee and sought Members' views on the new layout. He added that this would be subject to change and that he had received comments from some Members prior to the meeting.

On the reporting of final audit reports, Councillor R.B. Jones said that comments on the findings had improved but felt that the 'manager responsible' column should be reinstated.

Mr P.D. Williams shared this view and also suggested that comments from auditors be included to show whether the management comments were acceptable or still outstanding.

Following a query by the Chair on the type of audit identified on the Operational Plan, the Internal Audit Manager explained that 'advisory' meant that the audit had come out of the planning meetings with Directors and Heads of Service. Councillor Jones suggested that the type of audit could be defined in the document and that column titles should be repeated where the table continued on to the next page. The Chief Executive said that a 'risk' type indicated a requirement for the audit to be done and that 'advisory' had been undertaken on request.

On Recommendation Tracking, Mr. Williams said it would be useful to include the issue date and proposed implementation date to show the timeline. The Internal Audit Manager explained that this would be difficult as the date of the final report could include several recommendations, each with a different implementation date. A column and footnote indicating auditors' comments on

areas of concern arising from non-implementation would be included to provide a stronger steer for the Committee to look at. In response to a further comment by Councillor Jones on the inclusion of reference numbers of reports, the Internal Audit Manager agreed that these would be reinstated.

The Head of Finance welcomed the improvements made to future reports and thanked the Internal Audit Manager and the Committee for their joint efforts in achieving this.

The Chair suggested that the recommendation in the report be amended to reflect further ongoing review of reports and the Internal Audit Manager said that Members' comments received to date would be taken on board.

RESOLVED:

That the new format and level of information provided in the report be accepted subject to further ongoing review.

22. MEMBERS OF THE PRESS AND PUBLIC IN ATTENDANCE

There was one member of the press in attendance.

(The meeting started at 10.00 am and ended at 12.35 pm)

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Chair

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: AUDIT COMMITTEE

DATE: TUESDAY, 25 SEPTEMBER 2012

REPORT BY: HEAD OF FINANCE

SUBJECT: STATEMENT OF ACCOUNTS 2011/12

1.00 PURPOSE OF REPORT

1.01 To present to Members of the Audit Committee the Statement of Accounts for 2011/12, incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit.

1.02 To present to Members of the Audit Committee, the WAO's reports in connection with the audit of the 2011/12 financial statements -

- Flintshire County Council
- Clwyd Pension Fund

2.00 BACKGROUND

2.01 The Audit Committee received the draft Statement of Accounts 2011/12 on 17th July 2012 - for information only at that stage; the Accounts and Audit (Wales) (Amendment) Regulations 2010 specify the statutory deadline for the approval of the accounts, being 30th September.

3.00 CONSIDERATIONS

3.01 The audit of the 2011/12 accounts is now substantially complete.

3.02 A copy of the Statement of Accounts for 2011/12 incorporating those changes agreed with WAO during the course of the audit and up to the point of writing this report, is included in the agenda for the County Council meeting for consideration in the afternoon (**Members are requested to bring the County Council agenda, which includes the Statement of Accounts, to the meeting with them**).

3.03 Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 17th July - no further questions have been received over the summer period. Responses to all matters raised have been provided by letter to all Members of the Council.

- 3.04 Under the International Standards on Auditing (ISA) 260, WAO is required to communicate relevant matters relating to the audit of the final statements to those charged with governance, which for this Council is the Audit Committee.
- 3.05 Copies of the WAO's ISA 260 reports 'Audit of the Financial Statements – Flintshire County Council' and 'Audit of the Financial Statements – Clwyd Pension Fund', are included in the agenda for the County Council meeting for consideration in the afternoon **(Members are requested to bring the County Council agenda, which includes the WAO ISA 260 reports, to the meeting with them).**
- 3.06 Each WAO report includes details of significant issues arising from the audit, and a summary of corrections made to the draft financial statements. Any accounting issues relating to the audit findings will be reviewed internally during the current financial year (2012/13).
- 3.07 It is usual, within the course of the audit of any organisation, that items will be brought to the attention of the body being audited (in this case Flintshire County Council / Flintshire County Council – Administering Body of the Clwyd Pension Fund). The audit findings have been discussed in detail with the WAO, and those adjustments made have been reflected in the Statement of Accounts.
- 3.08 Both ISA 260 reports include a Letter of Representation (Appendix 1 to the WAO's ISA 260 reports). In these letters, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.

4.00 RECOMMENDATIONS

- 4.01 Members are requested to –
- a) recommend to County Council the final version of the Statement of Accounts 2011/12
 - b) consider WAO's reports; Audit of the Financial Statements – Flintshire County Council, and Audit of the Financial Statements – Clwyd Pension Fund
 - c) recommend to County Council; the Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund

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 required.

11.00 CONSULTATION UNDERTAKEN

11.01 None required.

12.00 APPENDICES

12.01 None

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

Various 2011/12 Final Accounts Working Papers

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 25 SEPTEMBER 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **TREASURY MANAGEMENT MID YEAR 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 2012/13 to the end of August 2012.

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.

2.02 On 1st March 2012 the Council approved the Treasury Management Policy and Strategy Statement for 2012/13, following the recommendation of the Executive and consideration by the Audit Committee.

3.00 CONSIDERATIONS

Treasury Management Mid Year Report 2012/13

3.01 The draft Treasury Management Mid Year Report for 2012/13 is attached as Appendix 1 for review. As required by financial procedures, this Mid Year Report will be reported to Cabinet and Council.

3.02 The Mid Year Report reviews the activities and performance of the treasury management operations during the period 1st April to 31st August 2012.

3.03 In summary, the key points of the report are:

- Performance during the period was broadly in line with the expectations of the Policy Statement 2012/13.
- The continuation of our low risk strategy of investing for a

maximum term of 3 months, with consideration given to suitable longer term investments as appropriate.

- We continue to utilise AAA rated Money Market Funds – as at 31st August 2012, £22.1 million was invested across 4 separate funds.
- Internal Audit reviewed the treasury management function and concluded that in their opinion the operation provides a substantial level of assurance.
- Responsibility for the Council's treasury management function is in the process of being transferred to the Strategy and Technical team in Corporate Finance.
- The treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2012/13 with one exception; an investment was made with a counterparty that had recently been placed at risk of falling below the Council's criteria because it was on review for possible downgrade. The error was identified the very next day and immediate action was taken to recover the investment. The investment has now been returned and internal controls have been improved to ensure that such an error will not happen again. Further details in paragraph 5.04 of the Mid Year Report.

Treasury Management Policy and Strategy Statement 2012/13

3.04 A statement setting out the Council's investments as at 31st August 2012 is attached as Appendix 2. Members should note the following:

- The investment balance was £62.5 million across 19 counterparties.
- One longer term investment was made - £4 million with the Bank of Scotland at an interest rate of 3%, maturing on 4th July 2013.
- Sterling have revised their base interest rate forecast from that included in the 2012/13 Strategy with no increase in base rate forecast now until the second half of 2013, with a 0.25% increase to 0.75%.

The longer term projection for interest rates has also been revised downwards. A comparison of current forecasts and those at the time the Strategy was produced is included on page 6 of the Mid Year Report.

The financial implications of the change in interest rate forecasts will be reported in the Central Loans and Investment Account in the revenue budget monitoring report.

- Several UK financial institutions that previously met our investment criteria have been subject to downgraded credit ratings. Consequently we have a reduced number of

counterparties with which we can invest and some investments have had to be withdrawn and re-invested with higher rated, more secure financial institutions.

- 3.05 There have been no changes to the Council's long term borrowing in 2012/13.

Landsbanki

- 3.06 Previous reports to the Audit Committee have updated members with the latest position regarding the reimbursement of our investments with Landsbanki and is shown in section 8 of the Mid Year Report.
- 3.07 The legal counsel acting on behalf of all Local Authorities in England and Wales have issued details of the combined legal costs incurred to 31st July 2012 for their work related to releasing distributions to Landsbanki Local Authority creditors. They have also provided an estimate of the combined legal costs for the period August 2012 – March 2013.
- 3.08 Flintshire has incurred legal costs totalling £22,438 for the period 2008/09 to 2011/12.
- 3.09 Although legal counsel have provided an estimate of the combined legal costs for the remainder of 2012/13 as discussed in 3.07, we do not yet know what Flintshire's share of the costs are. A budget of £3,700 has been set to cover our anticipated legal fees for 2012/13 within the Central Loans and Investment Account.

4.00 RECOMMENDATIONS

- 4.01 To review the draft Treasury Management Mid Year Report 2012/13 and identify any matters to be drawn to the attention of Cabinet on 16th October 2012.

5.00 FINANCIAL IMPLICATIONS

- 5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

- 6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Sterling Consultancy Services

11.00 CONSULTATION UNDERTAKEN

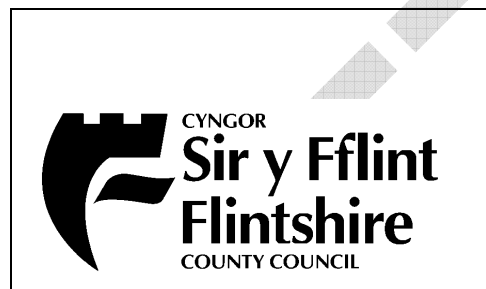
11.01 Sterling Consultancy Services

12.00 APPENDICES

12.01 1. Draft Treasury Management Mid Year Report 2012/13
2. Investments as at 31st August 2012

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

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FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

MID YEAR REPORT 2012/13

1.00 PURPOSE OF REPORT

- 1.01 To provide members with a mid year update on matters relating to the Council's Treasury Management function.

2.00 BACKGROUND

- 2.01 Treasury management comprises the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2.02 The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.
- 2.03 The Council's current policy is to appoint external consultants to advise on its treasury management function. The external adviser is Sterling Consultancy Services.
- 2.04 The Council has adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year.
- 2.05 In addition, the Welsh Government (WG) Guidance on Local Government Investments recommends that local authorities amend their investment strategies in light of changing internal or external circumstances. This report therefore meets the requirements of both sets of guidance.

3.00 TREASURY MANAGEMENT STRATEGY

- 3.01 The Council approved the 2012/13 Treasury Management Strategy at its meeting on 1st March 2012.
- 3.02 The Council's investment strategy as stated in the 2012/13 Treasury Management Strategy is to:
- Invest prudently and to have regard to security and liquidity of its investments before seeking the highest rate of return or yield.
 - Have regard to guidance issued by the Welsh Government - Part 1 of the Local Government Act 2003, which introduced the Prudential Capital Finance System, gives a local authority power to invest for any purposes relevant to its functions under any enactment, or for the purposes of the

prudent management of its financial affairs.

- Produce an Investment Strategy before the start of each financial year, which must be approved by the full council and be published.

3.03 The investment plan for 2012/13 which was outlined in the Policy Statement considered two scenarios. The first was the most risk-averse approach which only allowed for the following type of investments to be made:

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

The second scenario was the return to a more 'normal' approach where deposits are placed with banks with maturity periods for up to five years. Market conditions and credit risk would govern which approach would be followed.

During the period the credit risk marker remained at 'amber status' and market conditions stabilised somewhat (as described in the first paragraph of Sterling's economic review in 4.01 below). Whilst the more risk-averse approach continues to be followed we have recommenced placing deposits with banks and building societies but with a self imposed restriction of a maximum 3 month maturity period.

3.04 The Council's borrowing strategy as stated in the 2012/13 Treasury Management Strategy is for the Head of Finance to:

- Effect any borrowing required in 2012/13 at the cheapest cost commensurate with future risk based on interest rate forecasts outlined in the strategy statement.
- Manage the Council's debt maturity profile, i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated within the strategy statement.
- Monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in the strategy statement.
- Regularly review the Council's Capital Programme, including Prudential Borrowing, to consider the most financially advantageous method of financing future debt.
- Review opportunities which may arise for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

3.05 There has been no borrowing activity in the period to the end of August 2012:

- The debt maturity profile as at 31 August 2012 is shown in Appendix 1 on page 11. This shows a debt maturity profile in line with CIPFA recommendations of having no more than 10% of the debt portfolio maturing in any one future year. This has remained unchanged during 2012/13.
- £1.5m of existing debt will mature during the second half of 2012/13, and consideration will be given to the need to re-finance or repay the debt. Discussions with our Treasury Advisors and assessments of future capital expenditure plans, medium term cash flow forecasts, and future market conditions will all need to be considered.
- No debt restructuring opportunities have been identified during the early months of 2012/13 and no additional borrowing has been undertaken. This position will be reviewed again in the second half of 2012/13. It is unlikely that any debt restructuring will be undertaken as in the present market of low interest rates opportunities are limited as penalties to repay loans are prohibitive.
- Effective cash flow management has meant that no temporary borrowing was required during the reporting period.

4.00 ECONOMIC & INTEREST RATE REVIEW – APRIL TO AUGUST 2012

4.01 *Economic review and outlook (provided by Sterling Consultancy Services):*

The European Central Bank's (ECB) Long-Term Refinancing Operations, in which the central bank supplied cheap funding to the Eurozone banking system, initiated a calmer period of financial market activity in the first quarter of the year relative to recent times. The calm was not to last, however, as the ECB intervention did not address the root causes of the Eurozone sovereign debt crisis, i.e. unsustainable debt levels in uncompetitive countries.

A number of events pushed the crisis back to the fore: the two Greek general elections, the failure of Spanish bank Bankia and subsequent bailout speculation for the sector, and signs that the Eurozone economy was experiencing a deeper downturn in economic activity than previously expected. Throughout the quarter, Germany resisted pressure for regional debt mutualisation or a banking union, unprepared to risk the moral hazard of supporting profligate Mediterranean countries.

Meanwhile, yields on Spanish 10-year government bonds regularly exceeded seven percent, the danger level at which Ireland and Portugal approached the Eurozone/IMF for bailouts. Risk appetite plummeted; the FTSE 100 dropped 3.4% over the three months to June (it was down 8.8% at the end of May), while yields on safe haven bonds, including UK gilts and German bunds, regularly

dipped to new record lows.

As the situation deteriorated, leaders made some progress towards a solution, prompted by the realisation that the link between sovereign and bank needed to be broken. At the EU summit at the end of June leaders agreed that the yet-to-be initiated bailout fund, the European Stability Mechanism (ESM), would have more flexibility, allowing it to buy the debt of struggling countries or directly recapitalise banks. However, these changes have yet to be approved by the parliaments of member nations, with a legal challenge in Germany threatening to derail the process. Pressure is currently growing for further direct ECB intervention in bond markets to reduce the pressure on struggling countries.

The reaction to the on-going sovereign crisis was exacerbated by the developing slowdown in global economic growth, as the Eurozone recession and uncertainty depressed confidence and business activity in other large economies. The US economy stuttered, with slower employment growth a particular concern, although the Federal Reserve resisted the temptation to engage in further monetary stimulus. A widely anticipated risk was the slowdown in Chinese growth, specifically whether the world's second largest economy would have a hard or soft landing. Signs of weakening domestic demand allied with a softer export outlook prompted multiple cuts in interest rates and the relaxation of commercial lending criteria by the People's Bank of China in an attempt to prop up economic activity. The deteriorating outlook for global growth had a significant impact on commodity prices, particularly oil prices. Over May and June the price of Brent crude fell around 30% from its April peak of \$126 per barrel, although prices subsequently recovered part of these losses.

In the UK the recession continued into quarter two, with the loss of a working day to the Jubilee bank holiday the primary factor. However, as with the larger economies described above, the UK was not immune to the uncertainty emanating from the Eurozone, and data suggested that underlying business conditions had weakened. Trade data indicated that goods exports to the Eurozone were declining, a particular problem for a manufacturing sector struggling with weak domestic demand. The extreme wet weather in April caused a plunge in retail sales volumes, and on the positive side, a fall in inflation, while the construction sector output continued to decline amid both a weak housing market and a reduction in government capital spending.

The banking sector and credit bottleneck were perceived to be an important factor holding back economic recovery, prompting HM Treasury and the Bank of England to announce two schemes in June to reduce bank funding costs and increase the availability of cheaper finance for businesses. The Bank's intervention in the money markets placed downward pressure on Libor rates; 3-month LIBOR declined around 30 basis points during the half year to 0.70%. The deteriorating domestic and global economic conditions also boosted support for further monetary stimulus. The Monetary Policy Committee (MPC) duly increased the Asset Purchase Facility by £50bn to £375bn, the third tranche of

quantitative easing.

- 4.02 As can be seen from the commentary above, the first quarter of 2012/13 saw some relatively 'calmer' times and consequently deposits were placed with banks, but with a restriction of a 3 month maximum maturity. However, the situation has not improved substantially since then and the 3 month restriction, with the exception of one longer term investment that we have made, remains in place (Please see paragraph 6.09 for further details regarding this investment).
- 4.03 The recent downward trend in the Consumer Price Index (CPI) inflation rate allied with the apparent synchronised global downturn led by the Eurozone has pushed market expectations for a rise in interest rate out to at least 2014.
- 4.04 The UK base rate has remained at 0.50% throughout the reporting period.
- 4.05 The latest central forecast from the Sterling is shown below and highlights how the current interest rate forecast has changed from that assumed in the Policy Statement and on which the current strategy was based. The risks to the forecast remain heavily to the downside, arising largely from the impact of the Eurozone sovereign debt crisis on UK business and household confidence.

	Policy Forecast	Current Forecast
Q1 2012	0.50%	0.50%
Q2 2012	0.50%	0.50%
Q3 2012	0.50%	0.50%
Q4 2012	0.75%	0.50%
H1 2013	1.00%	0.50%
H2 2013	1.50%	0.75%
H1 2014	2.00%	1.00%

- 4.06 Interest rates are now forecast to remain lower for longer than stated in the 2012/13 Policy Statement.

5.00 TREASURY MANAGEMENT GOVERNANCE: APRIL – AUGUST 2012

- 5.01 The Treasury Management Annual Report for 2011/12 and a quarterly update report, were presented to the Audit Committee on 25th June 2012.
- 5.02 The Council's cash flow was managed on a daily basis. The Authority acted both as a borrower and as a lender and was a net borrower over the period in question. The maximum long-term borrowing at any one time was £173.6m.
- 5.03 Internal Audit completed a review of the Treasury Management function in April 2012 and concluded that the service provides a substantial level of assurance.
- 5.04 The Treasury Management activity undertaken during this period complied with

the approved Strategy, CIPFA Code of Practice and the relevant legislative provisions, with one exception. Treasury Management Practices state that we will not invest with any counterparty whose credit rating is subject to review by a rating agency. However, on the 1st May 2012 a 3 month investment was made with Close Brothers for £1.5m during a period when their credit rating was under review. This mistake was identified the very next day and although we received assurance from Sterling that the investment was not at risk, prompt action was taken to facilitate the early return of the money. The investment, along with interest accrued, was returned on 7th June 2012.

As a result of this, internal controls have been tightened to ensure that all future investments fully comply with our Treasury Management Practices.

- 5.05 As part of the Finance Function Review, responsibility for managing the Treasury Management function is being transferred to the Strategy and Technical Team within Corporate Finance. Arrangements have been put in place over a sufficient period of time to facilitate the smooth transition and to ensure that the function continues to be managed appropriately and risks mitigated.

6.00 INTERIM INVESTMENT AND PERFORMANCE REPORT

- 6.01 The maximum investments the Authority had on deposit at any one time totalled £79.2m. The average investment balance for the period was £67.4m and the average rate of return was 0.83%, generating investment income of £233k. The investment income received for the reporting period exceeded the budgeted figure of £153k by £80k.
- 6.02 Investments have been made with UK banks and building societies up to a maximum term of 3 months, as well as utilising investment opportunities afforded by money market funds, instant access accounts, Debt Management Office and other Local Authorities.
- 6.03 The average debt balance held was £173.6m and the average rate paid was 5.4%, generating interest payable of £410k in line with budget forecasts.

	Investments		Borrowing	
	Interest received £'000	Interest rate %	Interest paid £'000	Interest rate %
Actual	233	0.83	410	5.4
Budget	153	0.81	416	5.4
Difference	+80	+0.02	+6	-

- 6.04 Based on performance to date and forecasts that interest rates will remain flat for the remainder of 2012/13, the latest projected revenue outturn is for net interest received to be £86k above budget.

- 6.05 The weighted average temporary investment rate obtained for August of 0.81% is higher than the seven day LIBID rate of 0.40% which is a proxy of a return without effective cash flow management.
- 6.06 Effective short term cash flow management meant that no temporary borrowing was required during the reporting period.
- 6.07 The maturity of investments has been regularly reviewed with the aim of maximising returns whilst managing the risk of future interest rate movements. As at 31st August 2012, the maturity of investments is shown in the table below:

Maturity Due	Percentage of Portfolio	
	Policy %	August 2012 %
< 1month	35.0	64.0
1 – 12 months	55.0	32.5
> 12 months	10.0	0.0
Icelandic Investments	0	3.5

- 6.08 The maturity of investments is shorter than that in the Policy Statement. This is due to the risk-averse position adopted by the Council as detailed in paragraph 3.03.
- 6.09 Despite the self-imposed restriction of investing for no longer than 3 months maturity, the Bank of Scotland, which is partially owned by the taxpayer, were offering longer term deposits at a rate of 3.00%. After due consideration of balancing risk and return it was decided to deposit £4m for a period of 342 days at an interest rate of 3.00%.
- 6.10 A summary of investments as at 31st August 2012 is included in Appendix 2.

7.00 TREASURY MANAGEMENT INDICATORS

7.01 The Council measures its exposures to treasury management risks using the following indicators. Council is asked to note the following indicators as at 31st August 2012.

7.02 Borrowing limits

7.02.1 The Council approved these Prudential Indicators as part of the Capital Programme report.

	Limit £m	Actual £m	Met?
Operational boundary – borrowing	178.0	173.6	
Operational boundary – other long-term liabilities	<u>9.6</u>	<u>6.0</u>	✓
Operational boundary – TOTAL	187.6	179.6	
Authorised limit – borrowing	207.6	173.6	
Authorised limit – other long-term liabilities	<u>0</u>	<u>6.0</u>	✓
Authorised limit – TOTAL	207.6	179.6	

7.03 Interest rate exposures

7.03.1 This indicator is set to control the Council's exposure to interest rate risk. The exposures to fixed and variable rate interest rates, expressed as an amount of net principal borrowed were:

	Limit	Actual	Met?
Upper limit on fixed rate exposures	£200m	£143m	✓
Upper limit on variable rate exposures	£40m	-£33.6m *	✓

* The total invested at variable rate exceeds the total debt at variable rate.

7.03.2 Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

7.04 Maturity structure of borrowing

7.04.1 This indicator is set to control the Council's exposure to refinancing risk. The maturity structure of fixed rate borrowing was:

Upper and Lower Limits for maturity structure of borrowing	Lower Limit	Upper Limit	Actual	Met?
Under 12 months	0%	15%	1%	✓
12 months and within 24 months	0%	10%	0%	✓
24 months and within five years	0%	30%	0%	✓
Five years and within 10 years	0%	50%	8%	✓
10 years and above	10%	100%	91%	✓

7.04.2 The maturity date of borrowing is the earliest date on which the lender can demand repayment.

7.05 Principal sums invested for periods longer than 364 days

7.05.1 The purpose of this indicator is to control the Council's exposure to the risk of

incurring losses by seeking early repayment of its long-term investments. The total principal sums invested to final maturities beyond the period end were:

	2012/13	2013/14	2014/15
Limit on principal invested for longer than 364 days	£30m	£30m	£30m
Actual principal invested beyond year end for longer than 364 days	£0	£0	£0
Within limit?	✓	✓	✓

8.00 LANDSBANKI INVESTMENTS – UPDATE

- 8.01 In late 2011, it was confirmed that Priority status had been upheld by the Icelandic Supreme Court, with Local Authority Investors, including Flintshire County Council, being recognised as preferential creditors.
- 8.02 The Winding Up Board of Landsbanki made a distribution to priority creditors on 17th February 2012. Flintshire received £1.09m of the £3.70m original investment.
- 8.03 In March 2012, the Winding Up board announced that recoveries in the Landsbanki Administration would now likely be 100% of their deposits, subject to potential future exchange rate fluctuations. Although this is only a forecast and not guaranteed, it is marginally higher than the 95% previously forecast.
- 8.04 On 29th May 2012, a further distribution of £458k was received by the Council.
- 8.05 The pattern of future distributions is not yet known.

9.00 BENCHMARKING

- 9.01 Flintshire County Council is a member of the CIPFA Treasury Management Benchmarking Club. Half yearly data will be sent to CIPFA in early October and we expect to receive the Benchmarking Report at the end of October. The findings will be reported to Audit Committee on 12th December 2012.

10.00 CONCLUSIONS

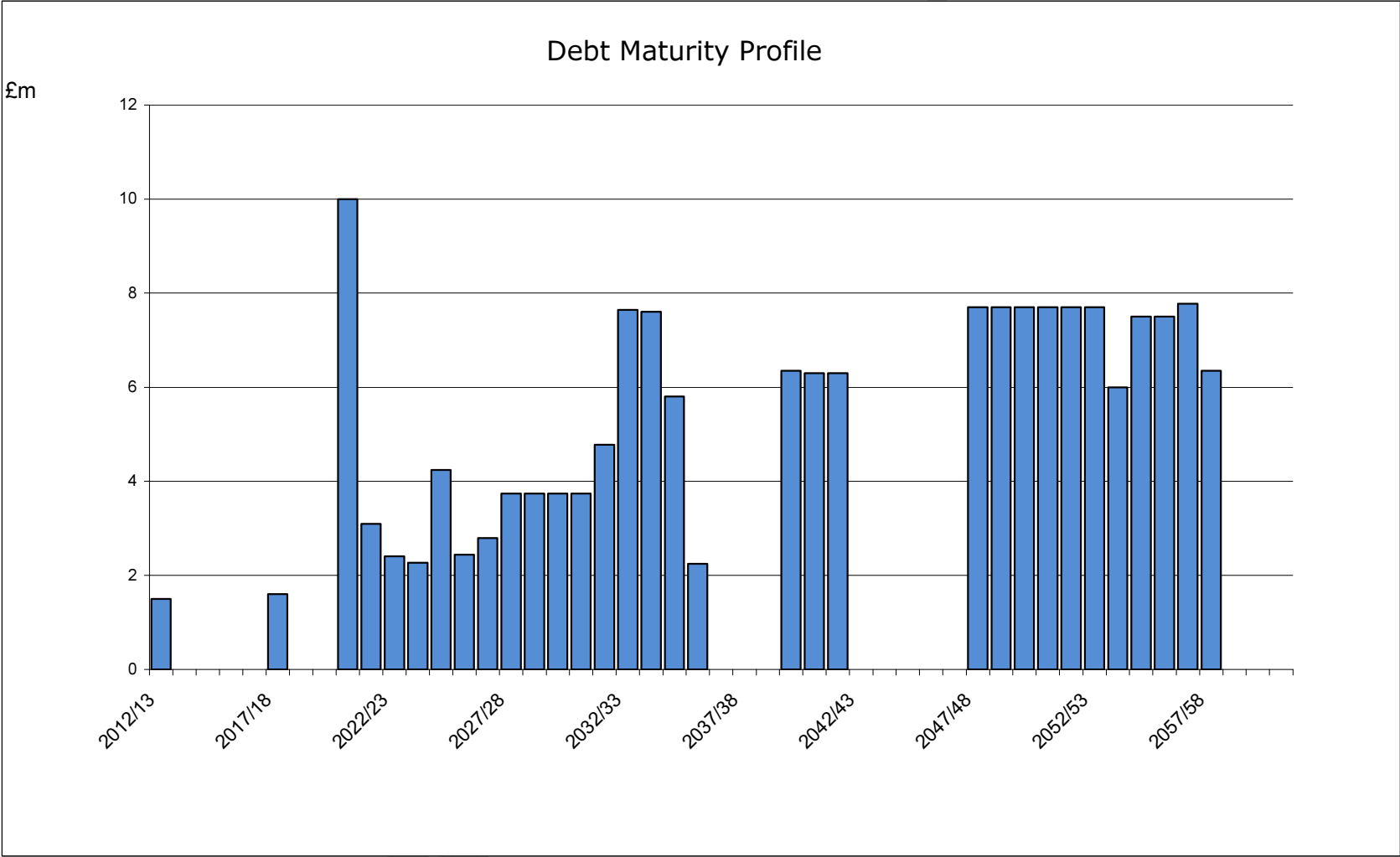
10.01 In summary, the key points of the report are:

- The continuation of our low risk strategy of investing for a maximum term of 3 months, with consideration given to suitable longer term investments as appropriate.
- We continue to utilise AAA rated Money Market Funds – as at 31st August 2012, £22.1m was invested across 4 separate funds.

- Internal Audit reviewed the Treasury Management function and concluded that in their opinion the operation provides a substantial level of assurance.
- Responsibility for the Council's Treasury Management Function is in the process of being transferred to the Strategy and Technical team in Corporate Finance.

DRAFT

Appendix 1:



Appendix 2

Flintshire County Council

Investments as at 31st August 2012 - by maturity date

Counterparty Name	Amount £m	Start Date	Maturity	Interest Rate	Interest Earned during investment period	Period to Maturity
LANDSBANKI ISLANDS	0.7	22-Jul-08	17-Oct-08	5.82%	16,646.79	Not Returned
LANDSBANKI ISLANDS	0.9	1-Sep-08	14-Nov-08	5.70%	17,334.25	Not Returned
LANDSBANKI ISLANDS	0.6	8-Sep-08	18-Nov-08	5.67%	11,029.32	Not Returned
BARCLAYS BANK	1.7	4-Jul-12	14-Sep-12	0.70%	2,347.40	1 month or less
NOTTINGHAM BUILDING SOCIETY	2.0	4-Jul-12	18-Sep-12	0.80%	3,331.51	1 month or less
SAFFRON BUILDING SOCIETY	1.7	4-Jul-12	18-Sep-12	0.75%	2,654.79	1 month or less
NOTTINGHAM BUILDING SOCIETY	1.0	4-Jul-12	18-Sep-12	0.85%	1,769.86	1 month or less
SAFFRON BUILDING SOCIETY	1.0	4-Jul-12	18-Sep-12	0.75%	1,561.64	1 month or less
BARCLAYS BANK	1.0	15-Jun-12	21-Sep-12	0.74%	1,997.59	1 month or less
COVENTRY BUILDING SOCIETY	1.9	4-Jul-12	21-Sep-12	0.71%	2,919.75	1 month or less
NATIONAL COUNTIES BUILDING SOCIETY	1.0	27-Jun-12	28-Sep-12	1.10%	2,802.74	1 month or less
SAFFRON BUILDING SOCIETY	1.0	29-Jun-12	28-Sep-12	1.05%	2,617.81	1 month or less
NOTTINGHAM BUILDING SOCIETY	1.6	2-Jul-12	28-Sep-12	0.95%	3,664.66	1 month or less
BANK OF SCOTLAND	3.0	31-Mar-12	30-Sep-12	0.75%	11,280.82	1 month or less
SVENSKA HANDELSBANKEN	1.0	30-Mar-12	30-Sep-12	0.75%	3,780.82	1 month or less
DEUTSCHE MANAGED STERLING FUND	5.7	2-Apr-12	30-Sep-12	0.49%	13,850.22	1 month or less
SSGA GBP LIQUIDITY FUND	4.5	2-Apr-12	30-Sep-12	0.51%	11,380.68	1 month or less
SWIP GLOBAL LIQUIDITY FUND	6.0	1-Jun-12	30-Sep-12	0.48%	9,547.40	1 month or less
BLACKROCK INST STERLING LIQUIDITY FUND	5.9	25-Jun-12	30-Sep-12	0.49%	7,682.93	1 month or less
NOTTINGHAM CITY COUNCIL	1.0	9-Jan-12	09-Oct-12	0.50%	3,753.42	1 - 3 months
PROGRESSIVE BUILDING SOCIETY	2.0	3-Aug-12	18-Oct-12	0.55%	2,290.41	1 - 3 months
NATIONWIDE BUILDING SOCIETY	1.3	3-Aug-12	18-Oct-12	0.53%	1,434.63	1 - 3 months
NATIONAL COUNTIES BUILDING SOCIETY	2.0	1-Aug-12	22-Oct-12	0.90%	4,043.84	1 - 3 months
NATIONWIDE BUILDING SOCIETY	2.0	3-Aug-12	22-Oct-12	0.54%	2,367.12	1 - 3 months
THE HIGHLAND COUNCIL	2.0	26-Oct-11	24-Oct-12	0.80%	15,956.16	1 - 3 months
COVENTRY BUILDING SOCIETY	2.0	1-Aug-12	26-Oct-12	0.59%	2,780.27	1 - 3 months
COVENTRY BUILDING SOCIETY	1.0	3-Aug-12	26-Oct-12	0.58%	1,334.79	1 - 3 months
LEEDS BUILDING SOCIETY	1.0	3-Aug-12	26-Oct-12	0.54%	1,242.74	1 - 3 months
DONCASTER COUNCIL	2.0	3-Oct-11	16-Apr-13	1.30%	39,961.64	3 months +
BANK OF SCOTLAND	4.0	27-Jul-12	04-Jul-13	3.00%	112,438.36	3 months +
	62.5				315,804.36	
Summary		Total	1 month or less	1 - 3 months	3 months +	12 months +
	£m	%	£m	£m	£m	£m
DEBT MANAGEMENT OFFICE (DMO)	0.0	0.0	0.0	0.0	0.0	0.0
UK	32.2	44.4	16.9	11.3	4.0	0.0
OVERSEAS	1.0	10.1	1.0	0.0	0.0	0.0
OTHER LOCAL AUTHORITIES	5.0	7.7	0.0	3.0	2.0	0.0
ICELAND (LANDSBANKI)	2.2	3.4	0.0	0.0	0.0	0.0
MONEY MARKET FUNDS	22.1	34.4	22.1	0.0	0.0	0.0
	62.5		40.0	14.3	6.0	0.0
		100.0%	64.0%	22.9%	9.6%	0.0%

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Flintshire County Council

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COVENTRY BUILDING SOCIETY	1.9	4-Jul-12	21-Sep-12	0.71%	2,919.75	1 month or less	
NATIONAL COUNTIES BUILDING SOCIETY	1.0	27-Jun-12	28-Sep-12	1.10%	2,802.74	1 month or less	
SAFFRON BUILDING SOCIETY	1.0	29-Jun-12	28-Sep-12	1.05%	2,617.81	1 month or less	
NOTTINGHAM BUILDING SOCIETY	1.6	2-Jul-12	28-Sep-12	0.95%	3,664.66	1 month or less	
BANK OF SCOTLAND	3.0	31-Mar-12	30-Sep-12	0.75%	11,280.82	1 month or less	
SVENSKA HANDELSBANKEN	1.0	30-Mar-12	30-Sep-12	0.75%	3,780.82	1 month or less	
DEUTSCHE MANAGED STERLING FUND	5.7	2-Apr-12	30-Sep-12	0.49%	13,850.22	1 month or less	
SSGA GBP LIQUIDITY FUND	4.5	2-Apr-12	30-Sep-12	0.51%	11,380.68	1 month or less	
SWIP GLOBAL LIQUIDITY FUND	6.0	1-Jun-12	30-Sep-12	0.48%	9,547.40	1 month or less	
BLACKROCK INST STERLING LIQUIDITY FUND	5.9	25-Jun-12	30-Sep-12	0.49%	7,682.93	1 month or less	40.0
NOTTINGHAM CITY COUNCIL	1.0	9-Jan-12	09-Oct-12	0.50%	3,753.42	1 - 3 months	
PROGRESSIVE BUILDING SOCIETY	2.0	3-Aug-12	18-Oct-12	0.55%	2,290.41	1 - 3 months	
NATIONWIDE BUILDING SOCIETY	1.3	3-Aug-12	18-Oct-12	0.53%	1,434.63	1 - 3 months	
NATIONAL COUNTIES BUILDING SOCIETY	2.0	1-Aug-12	22-Oct-12	0.90%	4,043.84	1 - 3 months	
NATIONWIDE BUILDING SOCIETY	2.0	3-Aug-12	22-Oct-12	0.54%	2,367.12	1 - 3 months	
THE HIGHLAND COUNCIL	2.0	26-Oct-11	24-Oct-12	0.80%	15,956.16	1 - 3 months	
COVENTRY BUILDING SOCIETY	2.0	1-Aug-12	26-Oct-12	0.59%	2,780.27	1 - 3 months	
COVENTRY BUILDING SOCIETY	1.0	3-Aug-12	26-Oct-12	0.58%	1,334.79	1 - 3 months	
LEEDS BUILDING SOCIETY	1.0	3-Aug-12	26-Oct-12	0.54%	1,242.74	1 - 3 months	14.3
DONCASTER COUNCIL	2.0	3-Oct-11	16-Apr-13	1.30%	39,961.64	3 months +	
BANK OF SCOTLAND	4.0	27-Jul-12	04-Jul-13	3.00%	112,438.36	3 months +	6.0
	62.5				315,804.36		62.5
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	32.2	44.4	16.9	11.3	4.0	0.0	0.0
OVERSEAS	1.0	10.1	1.0	0.0	0.0	0.0	0.0
OTHER LOCAL AUTHORITIES	5.0	7.7	0.0	3.0	2.0	0.0	0.0
ICELAND (LANDSBANKI)	2.2	3.4	0.0	0.0	0.0	0.0	2.2
MONEY MARKET FUNDS	22.1	34.4	22.1	0.0	0.0	0.0	0.0
	62.5		40.0	14.3	6.0	0.0	2.2
		100.0%	64.0%	22.9%	9.6%	0.0%	3.5%

Flintshire County Council

Investments as at 31st August 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-12	30-Sep-12	0.75%	11,280.82	1 month or less	
BANK OF SCOTLAND	4.0	27-Jul-12	04-Jul-13	3.00%	112,438.36	3 months +	7.0
BARCLAYS BANK	1.7	4-Jul-12	14-Sep-12	0.70%	2,347.40	1 month or less	
BARCLAYS BANK	1.0	15-Jun-12	21-Sep-12	0.74%	1,997.59	1 month or less	2.7
BLACKROCK INST STERLING LIQUIDITY FUND	5.9	25-Jun-12	30-Sep-12	0.49%	7,682.93	1 month or less	5.9
COVENTRY BUILDING SOCIETY	1.9	4-Jul-12	21-Sep-12	0.71%	2,919.75	1 month or less	
COVENTRY BUILDING SOCIETY	2.0	1-Aug-12	26-Oct-12	0.59%	2,780.27	1 - 3 months	
COVENTRY BUILDING SOCIETY	1.0	3-Aug-12	26-Oct-12	0.58%	1,334.79	1 - 3 months	4.9
DEUTSCHE MANAGED STERLING FUND	5.7	2-Apr-12	30-Sep-12	0.49%	13,850.22	1 month or less	5.7
DONCASTER COUNCIL	2.0	3-Oct-11	16-Apr-13	1.30%	39,961.64	3 months +	2.0
LANDSBANKI ISLANDS	0.7	22-Jul-08	17-Oct-08	5.82%	16,646.79	Not Returned	Iceland
LANDSBANKI ISLANDS	0.9	1-Sep-08	14-Nov-08	5.70%	17,334.25	Not Returned	Iceland
LANDSBANKI ISLANDS	0.6	8-Sep-08	18-Nov-08	5.67%	11,029.32	Not Returned	Iceland
LEEDS BUILDING SOCIETY	1.0	3-Aug-12	26-Oct-12	0.54%	1,242.74	1 - 3 months	1.0
NATIONAL COUNTIES BUILDING SOCIETY	1.0	27-Jun-12	28-Sep-12	1.10%	2,802.74	1 month or less	
NATIONAL COUNTIES BUILDING SOCIETY	2.0	1-Aug-12	22-Oct-12	0.90%	4,043.84	1 - 3 months	3.0
NATIONWIDE BUILDING SOCIETY	1.3	3-Aug-12	18-Oct-12	0.53%	1,434.63	1 - 3 months	
NATIONWIDE BUILDING SOCIETY	2.0	3-Aug-12	22-Oct-12	0.54%	2,367.12	1 - 3 months	3.3
NOTTINGHAM BUILDING SOCIETY	2.0	4-Jul-12	18-Sep-12	0.80%	3,331.51	1 month or less	
NOTTINGHAM BUILDING SOCIETY	1.0	4-Jul-12	18-Sep-12	0.85%	1,769.86	1 month or less	
NOTTINGHAM BUILDING SOCIETY	1.6	2-Jul-12	28-Sep-12	0.95%	3,664.66	1 month or less	4.6
NOTTINGHAM CITY COUNCIL	1.0	9-Jan-12	09-Oct-12	0.50%	3,753.42	1 - 3 months	1.0
PROGRESSIVE BUILDING SOCIETY	2.0	3-Aug-12	18-Oct-12	0.55%	2,290.41	1 - 3 months	2.0
SAFFRON BUILDING SOCIETY	1.7	4-Jul-12	18-Sep-12	0.75%	2,654.79	1 month or less	
SAFFRON BUILDING SOCIETY	1.0	4-Jul-12	18-Sep-12	0.75%	1,561.64	1 month or less	
SAFFRON BUILDING SOCIETY	1.0	29-Jun-12	28-Sep-12	1.05%	2,617.81	1 month or less	3.7
SSGA GBP LIQUIDITY FUND	4.5	2-Apr-12	30-Sep-12	0.51%	11,380.68	1 month or less	4.5
SVENSKA HANDELSBANKEN	1.0	30-Mar-12	30-Sep-12	0.75%	3,780.82	1 month or less	1.0
SWIP GLOBAL LIQUIDITY FUND	6.0	1-Jun-12	30-Sep-12	0.48%	9,547.40	1 month or less	6.0
THE HIGHLAND COUNCIL	2.0	26-Oct-11	24-Oct-12	0.80%	15,956.16	1 - 3 months	2.0
	62.5				315,804.36		62.5

ESTIMATED INTEREST FOR 2012/13 AS AT 31st JULY 2012 is £601,515.02

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 25 SEPTEMBER 2012**

REPORT BY: **HEAD OF LEGAL AND DEMOCRATIC SERVICES**

SUBJECT: **INSPECTION REPORT FROM THE OFFICE OF
SURVEILLANCE COMMISSIONERS**

1.00 PURPOSE OF REPORT

1.01 For the committee to receive and consider the report from the Office of Surveillance Commissioners following an inspection on the 26 July 2012.

2.00 BACKGROUND

2.01 Paragraph 9.20 of the statutory guidance on the Local Government (Wales) Measure 2011 indicates that Audit Committees should receive and consider reports from regulators or inspectors.

2.02 The Office of Surveillance Commissioners undertake periodic inspection visits of local authorities procedures for complying with the Regulation of Investigatory Powers Act 2000 (RIPA). Such inspection visits are normally undertaken by an Assistant Surveillance Commissioner on behalf of the Chief Surveillance Commissioner.

2.03 On the 26 July 2012 an Assistant Surveillance Commissioner, Sir David Clarke, visited the Council to review its management of covert activities and compliance with RIPA.

2.04 RIPA empowers local authorities to undertake certain types of covert activities. On occasion it is only through covert activities that local authorities can obtain the requisite evidence to bring proceedings before the Civil or Criminal Courts.

3.00 CONSIDERATIONS

3.01 Attached as Appendix 1 to this report is the letter of the 22 August from the Chief Surveillance Commissioner and the report of Sir David Clarke on his inspection visit.

3.02 The letter of the 22 August indicates that the Chief Surveillance Commissioner is pleased to see that Flintshire continues to have a sound RIPA structure with good policies and procedures and a generally high standard of authorisations.

- 3.03 The previous inspection visit was conducted by His Honour Norman Jones QC in June 2009 and the recent inspection report confirms that the previous recommendations were promptly complied with. The report explains that Flintshire is a decreasing user of its RIPA powers, having granted only 7 authorisations in the 3 years since the last visit.
- 3.04 The report contains two recommendations. The first of these relates to suggested amendments to enhance the clarity of the Council's existing procedural guide yet further, as explained in paragraphs 13 and 14 of the report. The second recommendation is for RIPA training to take place soon, attended not only by authorising officers but also by a pool of investigators from across the Council's regulatory activities.
- 3.05 The procedural guide has been amended to reflect the first recommendation. As indicated in paragraph 20 of the report arrangements for further training were in hand at the time of the inspection and these have now been fixed for the 31 October 2012 and during that day training will be given to the Chief Executive, authorising officers and investigating officers.

4.00 RECOMMENDATIONS

- 4.01 For the committee to note the letter and report from the Office of Surveillance Commissioners.

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.

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 None as a result of this report.

12.00 APPENDICES

12.01 Appendix 1 - Letter dated 22 August and report.

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

None.

Contact Officer: Peter Evans
Telephone: 01352 702304
Email: peter.j.evans@flintshire.gov.uk

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Office of Surveillance
Commissioners



Chief
Surveillance
Commissioner

Restricted

22 August 2012

Dear Mr. Everett,

Covert Surveillance

On 26 July 2012, an Assistant Surveillance Commissioner, Sir David Clarke, visited your Council on my behalf to review your management of covert activities. I am grateful to you for the facilities afforded for the inspection.

I enclose a copy of Sir David's report which I endorse. I am pleased to see that your Council continues to have a sound RIPA structure with good policies and procedures and a generally high standard of authorisations. Mr Evans is an effective and knowledgeable RIPA Monitoring Officer.

The two recommendations are that your Procedural Guide be amended as indicated in paras 13 and 14 of the report and that RIPA training attended by AOs (including you) and a wider pool of investigators take place soon.

I shall be glad to learn that your Council accepts the recommendations and will see that they are implemented.

One of the main functions of review is to enable public authorities to improve their understanding and conduct of covert activities. I hope your Council finds this process constructive. Please let this Office know if it can help at any time.

*Yours sincerely,
Christopher Rose*

Mr Colin Everett
Chief Executive
Flintshire County Council
County Hall
Mold
Flintshire, CH7 6NB

RESTRICTED



**Office of Surveillance
Commissioners**

OFFICE OF SURVEILLANCE COMMISSIONERS

INSPECTION REPORT

Flintshire County Council

26th July 2012

**Assistant Surveillance Commissioner:
Sir David Clarke**

RESTRICTED

RESTRICTED covering CONFIDENTIAL

DISCLAIMER

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

The Office of Surveillance Commissioners is not a public body listed under the Freedom of Information Act 2000, however, requests for the disclosure of the report, or any part of it, or any distribution of the report beyond the recipients own authority is permissible at the discretion of the Chief Officer of the relevant public authority without the permission of the Chief Surveillance Commissioner. Any references to the report, or extracts from it, must be placed in the correct context.

RESTRICTED



Office of Surveillance
Commissioners

Office of Surveillance Commissioners,
PO Box 29105,
London,
SW1V 1ZU.

26th July 2012

FLINTSHIRE COUNTY COUNCIL

INSPECTION REPORT

Inspection date 26th July 2012

Inspector Sir David Clarke
Assistant Surveillance Commissioner

INTRODUCTION

1. The Council (FCC) is, in population terms, the largest of the six unitary authorities of North Wales, serving a population of about 150,000 in a mixed urban and rural area. The principal towns are Flint, Mold, Holywell, Buckley and Connah's Quay.
2. The Senior Corporate Management structure is headed by the Chief Executive, supported by three Directors and a number of Heads of Service. The Head of Legal and Democratic Services, reporting directly to the Chief Executive, is Gareth Owens, a barrister, who has recently joined FCC from another authority. The solicitors in his department include Peter Evans, the Democracy and Governance Manager, and Anwen Jones, Principal Litigation Solicitor.
3. The Chief Executive is Colin Everett, whose address is County Hall, Mold, Flintshire CH7 6NA.
4. The most recent OSC inspection of FCC was conducted by HH Norman Jones QC, Assistant Surveillance Commissioner, on 10th June 2009; his report was dated 25th June 2009.
5. FCC is a decreasing user of RIPA, having granted only seven authorisations since the last inspection. This compares with fifteen authorisations in the rather shorter period reviewed by Mr Norman Jones.
6. None of these authorisations had used the urgency provisions, none was concerned with the likely acquisition of confidential information, and none concerned Covert Human Intelligence Sources (CHIS).

Inspection

7. I carried out the inspection on 26th July 2012 at County Hall. I met the following council officers:
 - Gareth Owens, Head of Legal Services;
 - Peter Evans, Democracy and Governance Manager;
 - Mike Lovatt, Community Protection Manager, an Authorising Officer (AO);
 - Richard Powell, Team Leader (Trading Standards Investigations)
8. I was warmly welcomed by Mr Owens and Mr Evans. The inspection then took the form of a detailed discussion with Mr Evans, covering FCC's RIPA management, policy and procedures in the light of the revised Codes of Practice and OSC Guidance, the designated AOs, training, and the actions taken on the recommendations in the last OSC report. I then inspected the Central Record and the RIPA authorisations themselves. I then met Mr Lovatt, with Mr Evans, to discuss my preliminary findings as they affect the role of AO, before briefly meeting Mr Powell to obtain the perspective of an investigator/applicant. Finally I met Mr Owens and Mr Evans again for a brief feedback discussion before departing County Hall.
9. In view of the satisfactory findings in 2009 I did not consider it necessary to visit the CCTV control room on this occasion.
10. I am grateful to all concerned, particularly Mr Evans who had made the arrangements and provided material in advance, for their helpful cooperation which greatly eased my task.

RIPA Structure

11. As reported in 2009, FCC has an excellent *Procedural Guide to RIPA*, clear, succinct and readable. The amendments recommended by Mr Norman Jones were duly made in November 2009. These included the formal appointment of a RIPA Monitoring Officer, not Ms Anwen Jones (as he anticipated) but Mr Evans, listing the duties specified in paragraph 29 of the report.
12. That recommendation, and FCC's prompt response to it, predated the 2010 revised Codes of Practice for Covert Surveillance etc., and for CHIS. When these were issued, FCC heeded them and appointed the then Head of Legal and Democratic Services, Barry Davies, as RIPA Senior Responsible Officer (SRO). Mr Davies has recently retired and his successor, Mr Owens, is now RIPA SRO, to exercise the responsibilities set out in paragraphs 2.28-29 of the Covert Surveillance Code. Mr Owens has prior RIPA experience, including OSC inspections, from his service in other local authorities.
13. Notwithstanding Mr Evans's present designation as RIPA Monitoring Officer, he agrees with me that this term can cause confusion in a local authority. He is likely to be re-designated as RIPA Coordinator when the *Procedural Guide* is revised.

14. I made a small number of textual suggestions to enhance the clarity of the *Procedural Guide* yet further; these were noted by Mr Evans and require no formal recommendation. But there is one point of substance to be made in relation to the CHIS passage. Though it is unlikely that FCC will ever make a CHIS authorisation, the *Procedural Guide* needs to draw attention to the risk that an informant may in reality be a CHIS even if not tasked to obtain information covertly. I drew attention to section 26(8)(c) of RIPA and to paragraph 2.22 of the CHIS Code of Practice. When an informant gives repeat information about a suspect or about a family, and it becomes apparent that the informant may be obtaining that information in the course of a family or neighbourhood relationship, alarm bells should begin to ring. It probably means that the informant is in reality a CHIS, to whom a duty of care is owed if the information is then used. This needs to be made clear in the *Procedural Guide*, with an exhortation to refer any such instance for legal advice before acting on the information received from such an informant.

See recommendation I

15. In the light of Mr Norman Jones's recommendation in 2009, the number of designated AOs has been reduced to four named persons, though the Chief Executive and the three Directors (who rotate as Acting Chief Executive in Mr Everett's absence) are also listed.

16. The Central Record is maintained by Mr Evans. It contains most, but not all, the information set out in paragraph 8.1 of the Covert Surveillance Code of Practice, and would be further improved as a useful management tool by the addition of the further columns. I make no formal recommendation, however, because my examination of the documents showed me that Mr Evans already exercises good quality control, with tight adherence to review dates and the like.

RIPA usage

17. In the period under review there have been no authorisations in relation to a number of activities which commonly give rise to RIA usage elsewhere, namely fly-tipping, benefit fraud and licensing enforcement. I sought assurance that there is no risk of unauthorised covert surveillance taking place in any of these areas.

18. FCC has recently obtained CCTV equipment for use in fly-tipping and/or dog fouling hotspots, but advice has been taken and the intention is to erect clear signage, warning of the CCTV coverage, to render the surveillance overt. In relation to benefit fraud, no covert surveillance is used, but evidence is obtained by other techniques (data matching etc) before proceeding to interview under caution. Licensing enforcement is carried out by officers in Mr Lovatt's department, led by a RIPA-trained team leader. I consider that this shows a sufficient general level of RIPA awareness across relevant areas of FCC's activities.

Training

19. FCC continues to use the services of Bond Solon to deliver periodic RIPA training, but none has been provided since November 2009. I was shown the attendance record of that training day, which included all the named AOs and three investigators (RIPA applicants), as well as officers from an adjoining local authority invited to participate.
20. Arrangements are being made for a further training day to take place in the light of SI 2012/1500, introducing with effect from 1st November 2012 the new crime threshold for directed surveillance (but not CHIS) authorisations¹.
21. I was a little concerned that so few investigators (applicants) attended the last training session. My concern was somewhat allayed, in two ways. Firstly, I found a high standard of applications when examining the papers. Secondly, Mr Lovatt has prepared, and distributed to investigative staff across the Public Protection Division, an excellent practical guidance note on covert surveillance, which (as Mr Powell told me) is widely available and widely read.
22. The Chief Executive and Directors, though referred to in the *Procedural Guide* as AOs, did not attend the training day. Although the need for the Chief Executive (or a Director in his absence) to act as AO is likely to arise very rarely², it may arise unexpectedly and FCC should be ready for it. I consider that the Chief Executive should attend the next training day.
23. Furthermore, I consider that a wider cross-section of FCC's investigators should attend the training session, to ensure good RIPA awareness in departments which have not used FCC's RIPA powers in recent times. I note the concern expressed by Mr Norman Jones in 2009 that some officers did not consider that they needed training.

See recommendation II

Examination of Records.

24. I examined the six trading standards authorisations, and the one other authorisation which related to antisocial behaviour. Almost all were completed to a high general standard, with necessity and proportionality well articulated by applicants and AO alike. The two earliest authorisations contained inadequate statements as to proportionality, but the file contains a contemporaneous note by Mr Evans who had spotted this and advised the AO (Mr Lovatt) accordingly. Mr Lovatt clearly learned from this intervention and his standard has remained high thereafter. Correct expiry dates are specified, suitable review dates set, and proper formal cancellations effected.
25. Two of the authorisations were for juvenile test purchase operations at multiple off-licences, seven and ten in number respectively. The applicant stated that "*where appropriate*" these premises had been previously visited

¹ Bond Solon have indicated to FCC that they believe the magistrates' approval requirement (s.38 of the Protection of Freedoms Act 2012) will come into force at the same time, but I advised FCC that they should not assume this to be correct.

² Covert Surveillance Code of Practice, paras 4.22-23 and Appendix A

and advised on their responsibility as regards under-age sales. I inferred that some had not been visited in this way, in which event different considerations would apply to the necessity and proportionality of covert tactics. I drew attention to paragraph 263 of OSC's Procedures and Guidance, particularly the penultimate sentence.

26. Others concerned counterfeit goods, street markets and the like. I discussed with Mr Lovatt the distinction between simple test purchase (which may not call for directed surveillance authorisation) and observation coupled with test purchase (which does). The point was taken; FCC sensible adopt a cautious approach.
27. The antisocial behaviour authorisation was appropriate and well-articulated, and was promptly cancelled when it became apparent that the surveillance was no longer necessary.
28. Some of the authorisations were allowed to continue at review, even though the authorised directed surveillance had been completed. In one juvenile test purchase case, the review appeared to authorise future surveillance at additional premises. This is impermissible; these authorisations should have been cancelled at first review.

Conclusion

29. FCC continues to have a sound RIPA structure, with good policies and procedures and a generally high standard of RIPA authorisations. Mr Evans is as effective and knowledgeable in the role of RIPA Monitoring Officer (or Coordinator) as Mr Norman Jones expected Ms Anwen Jones to be. The few small lessons from my inspection will be easily learned.

30. I make the following

Recommendations

- I. *That the Procedural Guide be further amended in the light of this report (paragraphs 13 and 14)*
- II. *That the next RIPA training take place soon, attended not only by Authorising Officers (including the Chief Executive) but also by a wider pool of investigators from across the Council's regulatory activities*

David Clarke
Assistant Surveillance Commissioner

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY 25 SEPTEMBER 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **ITEMS DEFERRED FROM THE AUDIT PLAN IN
2010/11 AND 2011/12**

1.00 PURPOSE OF REPORT

1.01 To inform the committee of items deferred from the audit plan over the last two years.

2.00 BACKGROUND

2.01 The Wales Audit Office report on Internal Audit presented at the Audit Committee meeting in June 2012 expressed concern over staffing levels and the resultant shortfall in audit days to deliver the agreed plan in the previous two years. This had led to several items being deferred from the audit plans in those two years, although the WAO acknowledged that the items deferred had not been forgotten.

2.02 The committee asked for a report on the deferred items giving their risk profile and the process going forward after they had been deferred.

3.00 CONSIDERATIONS

3.01 Annual plans are kept under review throughout the year, and it may become necessary to change them because of changed circumstances, resources or priorities, so that the plan uses the resources available effectively. When this happens it is the responsibility of the Audit Manager to review and change the plan. The amended plan is then presented to the Audit Committee who are responsible for approving, but not directing, the audit plan. They can offer suggestions at that point.

3.02 When there is a need to reduce the plan, some items are deferred – i.e. taken out of the current year's plan. The items chosen are those of the lowest risk using the professional judgement of the audit management team in consultation with Directorate management teams.

3.03 When the annual plan for the next year is being prepared a similar process takes place The audit management team prepare a list of

possible topics for each Directorate. These include any audits deferred from the current year. All the topics are discussed with Directorate management teams, who give their views, may add further areas or suggest that some possible reviews are no longer necessary. After those meetings the Audit Manager produces the plan based on professional judgement, with a mix of risk based, regulatory and advisory work. This is again presented to the Audit Committee for their approval, and any suggestions that they may have.

- 3.04 In the last two years it has been necessary to amend the plan in mid-year. In 2010/11 a revised plan was approved by the committee in December 2010. In 2011/12 a revised plan was prepared for the committee in December 2011 but deferred until the next meeting because of time constraints. It was approved by the committee in January 2012.
- 3.05 The relevant Strategic and Operational plans were approved by the committee in March 2011 for 2011/12 and in March 2012 for 2012/13.
- 3.06 An analysis of the deferred items for the last two years is given in Appendix A. It shows that 22 items were deferred from the plan in 2011/12 and 19 items in 2010/11.
- 3.07 The audits chosen for deferral were selected as described above and were those where there would not be an impact on the ability of the Audit Manager to give his annual opinion on the adequacy and effectiveness of the system of control, governance and risk management within the Council. The analysis shows that the type of audit deferred was predominantly Advisory work, with ten Risk Based audits deferred over the two years. Definitions are given in Appendix A.
- 3.08 The majority of the deferred audits were reinstated in the plan for the following years - 26 of the 41 audits over the two years. For the Risk Based audits, seven of the ten were reinstated in the following year. Of the three that were not, two of the risks that they were due to examine had been deleted from the Strategic Assessment of Risks and Challenges (SARC). The third was covered in another audit review. For the Advisory audits, 19 of the 31 were reinstated in the following year and 12 were not. As outlined above this was after consultation and using professional judgement as to their relative priority compared to other work.

4.00 RECOMMENDATIONS

- 4.01 The committee is requested to accept the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

12.01 Summary of audits deferred in the last two years.

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

Contact Officer: David Webster
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Summary

2011/12, twenty two audits deferred – four Risk Based and eighteen Advisory

Fifteen of them were carried forward into the following year, including all the Risk Based. Seven were not carried forward, after discussion at the planning meetings for the following year and subsequent decision on priorities.

2010/11, nineteen audits deferred – six Risk Based and thirteen Advisory

Eleven of them were carried forward into the following year, including three of the Risk Based. Eight were not carried forward, after discussion at the planning meetings for the following year and subsequent decision on priorities. Three of these were Risk Based audits, not carried forward because two of those risks have been deleted from the SARC and the third was covered in other audit reviews.

Definitions

Risk based audits

Work based on strategic and operational risks identified by the organisation in the SARC and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.

Advisory

Work based on discussions with management when the audit plan is being produced.

2011/12 Plan deferrals carried forward into following year

Audit deferred	Type of review	In Plan for 2012/13	Comments
Theatr Clwyd	Advisory	Yes	
Corporate Grants	Advisory	Yes	
Capital Programme	Advisory	Yes (2013/14)	
RIPA Compliance	Advisory	Yes (2014/15)	
Single Status pay modelling	Advisory	Yes	
Youth and Community	Advisory	Yes	
Leisure Strategy	Advisory	Yes	
Homecare	Advisory	Yes (Care Homes)	
Work Ticket Validation	Advisory	Yes	
Private Sector Housing	Advisory	Yes (2013/14)	
Private Rented Sector	Advisory	Yes (2013/14)	
County Town Regeneration	Risk based CL 10	Yes	
Communities First Follow Up	Risk based (Operational)	Yes (2014/15)	Previous Reports May 2011. End of current scheme 2012.
Streetscene	Risk based CD 02	Yes (2013/14)	Previous Report March 2011.
Planning	Risk based CD 04	Yes (2013/14)	Previous Report S 106 Report Feb 2011. Planning Appeals review 2012/13.

2011/12 Plan deferrals not carried forward into following year.

Audit Deferred	Type of Review	Comment
Enforcement	Advisory	Debt Management and Enforcement covered in Financial Systems review
People Strategy – Applications processes	Advisory	
Development Standards – compliance review	Advisory	
Schools Corporate Governance	Advisory	Covered by schools Control and Risk Self Assessment
Asset Management non HRA	Advisory	
Humanitarian Response Plan	Advisory	
Day Services	Advisory	

2010/11 Plan deferrals carried forward into following year.

Audit deferred	Type of Review	In Plan 2011/12	Comments
Enforcement	Advisory	Yes	
Land Registration	Advisory	Yes (Commons Register) (2012/13)	
ICT Procurement	Advisory	Yes (2012/13)	
Youth and Community	Advisory	Yes	
Humanitarian Response Plan	Advisory	Yes	
Cash Control	Advisory	Yes (2012/13)	
Re-letting Empty Properties	Advisory	Yes	
Climate Change and Flood Risk Management	Risk based CL08	Yes	
Waste Management	Risk based CD 27	Yes (2012/13)	
Planning	Risk based (operational)	Yes	
AD Waste	Advisory	(not applicable – no longer exists)	

2010/11 Plan deferrals not carried forward into following year.

Audit Deferred	Type of Review	Comment
Project Management	Advisory	
Voluntary Sector Grants	Risk based CL03	Risk now deleted from SARC
DSO Performance	Risk based CD30	Risk now deleted from SARC
HR Strategy Management	Risk based	Included in other reviews
Records Management	Advisory	
Contract Monitoring	Advisory	
Highways	Advisory	
North Wales Waste Treatment Project	Advisory	

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **TUESDAY, 25 SEPTEMBER 2012**
REPORT BY: **HEAD OF FINANCE**
SUBJECT: **ACTION TRACKING**

1.00 PURPOSE OF REPORT

1.01 To inform the committee of the actions resulting from points raised at previous Audit Committee meetings.

2.00 BACKGROUND

2.01 At the meetings in June and July 2012 various requests were made by the committee for further information or for actions to be completed and reported back. This paper summarises those points and provides an update on the actions resulting from them.

3.00 CONSIDERATIONS

3.01 A summary of the points and the actions taken is provided at Appendix A. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

4.00 RECOMMENDATIONS

4.01 The committee is requested to accept the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

12.01 Appendix A – Summary of Action Points.

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

Contact Officer: David Webster
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AUDIT COMMITTEE ACTION SHEET

25 TH JUNE 2012				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
6	Certification of Grant Claims and Returns 2010/11	Update to be brought to the first Audit Committee meeting following the September claim returns.	C Everett / K Feather	To be brought to Audit Committee in December.
7	Report on Internal Audit (WAO)	Following the failure to fill one of the vacant audit posts, CE and KF to discuss with DW and the result to be communicated to the Chair and Vice-Chair then brought to the next meeting. Report on items deferred from the plan to be brought to next meeting.	D Webster D Webster	Discussion took place. Updated plan to allow for some extra resource and reductions to some projects included in the papers for this meeting. Paper provided to this meeting.
8	Risk Management Update	To consider possible refinements to the use of RAG status, including suggestion of up & down arrows.	C Everett / K Armstrong	To be considered as part of the updated Risk Strategy, to be brought to the committee in December.

25TH JUNE 2012

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
10	Final Reports & Performance Indicators	<p>DW to provide written response to PW query on process if any adverse data is flagged up by Equifax and how this is acted upon.</p> <p>A report is made to a future meeting with suggested new Performance Indicators. DW to report back to the committee following concerns on the late implementation date (April 2013) on Traffic Management Act - p.115</p>	<p>D Webster</p> <p>D Webster</p> <p>D Webster</p>	<p>Response given to July meeting.</p> <p>Report given to July meeting. Now in operation, Appendix D in Progress Report.</p> <p>Response given to July meeting.</p>
11	Operational Audit Plan & Recommendation Tracking	That the Audit Committee recommend that Cabinet consider the level it wishes to be involved in the use of consultants; Officers to raise with Cabinet	G Owens / C Guest	To be taken to Cabinet in October 2012.

25TH JUNE 2012

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
		That a report be made back to the Audit Committee including more detail on the constraints for the appointment and on the remit and monitoring of consultants to help give assurance that proper procedures are in place; and	C Guest	Interim procedures provided to the Audit Manager in time for the July meeting, see July action 3.
		That a report be made to the July 2012 meeting with a draft new format report for consideration.	D Webster	Report presented to the July committee.
		Page 137 - DW to clarify wording on 'external audit reliance' for future reports.	D Webster	Wording changed in the Operational Plan.
		Future reports to include details of concerns for the committee to focus on.	D Webster	To be completed in reports to committee from December 2012.

17TH JULY 2012

Agenda Item No.	Report	Action Required	Responsible Officer	
4	Draft Statement of Accounts	<p>p.9 Cllr Bateman's query on reason for increased amount for vehicles, plant, furniture & equipment. GF agreed to respond separately.</p> <p>p.73 Vice-Chair's query on what was being done about increase in rent arrears.</p> <p>p.55 AD Waste - Chair requested an update on the company's liquidation.</p>	<p>G Ferguson</p> <p>C Everett</p> <p>K Feather / G Ferguson</p>	<p>This was subsequently dealt with at the end of the meeting on 17th July.</p> <p>To be shared with the Vice Chair on his return.</p> <p>A written response will be provided to the Chair prior to the meeting.</p>

17TH JULY 2012

Agenda Item No.	Report	Action Required	Responsible Officer	
5	Annual Governance Statement	<p>That the Annual Governance Statement attached to the Statement of Accounts be approved subject to two amendments:</p> <p>(a) To clearly indicate at the start the five sections; and</p> <p>(b) The first sentence under Section 2 to be amended to reflect the involvement of staff and other resources.</p>	P Evans	AGS updated for the two amendments. To be presented to Council on 25 th September.
6	Statutory Guidance on the Local Government (Wales) Measure 2011	<p>That Mr Huw Lloyd Jones of WAO meet with CE & KF to discuss value for money.</p> <p>A report to be brought back in the Autumn on the relative roles of the Audit Committee and the Corporate Resources Scrutiny Committee in relation to the Financial affairs of the Council, following the LG measure.</p>	<p>C Everett / K Feather</p> <p>K Feather</p>	<p>Discussion took place with WAO at the quarterly regulatory meeting on 6th August. This will be the subject of further discussion as the Council's approach to VFM is developed.</p> <p>A report will be made to the next meeting of the Audit Committee, following discussion with the Chair and Vice Chair of both committees.</p>

17TH JULY 2012

Agenda Item No.	Report	Action Required	Responsible Officer	
8	Report Format	<p>That the new format and level of information provided in the report be accepted subject to further ongoing review.</p> <p>Final Reports - to reinstate 'manager responsible' column.</p> <p>Operational Plan - to define the different types referred to. Also column titles to be repeated where table continues to next page.</p> <p>Recommendation Tracking - to include column & footnote for auditor's comment on non-implementation and to include reference numbers of reports. Cross-reference p.177-179 with p.197 - DW to re-insert information taken out.</p>	<p>D Webster</p> <p>D Webster</p> <p>D Webster</p>	<p>Actioned.</p> <p>Actioned.</p> <p>Actioned.</p>

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 25 SEPTEMBER 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **FORWARD WORK PROGRAMME**

1.00 PURPOSE OF REPORT

1.01 To consider the forward work programme for the Audit Committee for the next year.

2.00 BACKGROUND

2.01 Many committees have forward work programmes. In order to better manage the workflow for the Audit Committee, the Chair asked if this could be produced.

3.00 CONSIDERATIONS

3.01 The programme is attached, Appendix A. It has been compiled based on the work that has been done in previous years and from information received from the various contributors to the committee.

3.02 Although the programme gives the basis of the work of the committee, it will be subject to change as necessary during the year. Changes will be notified to the Committee when they become known. Members may also wish to propose subjects for future reports or discussion.

4.00 RECOMMENDATIONS

4.01 That the committee considers the draft Forward Work Plan and approve / amend as necessary.

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.

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 Publication of this report constitutes consultation.

11.00 CONSULTATION UNDERTAKEN

11.01 Publication of this report constitutes consultation.

12.00 APPENDICES

Appendix A – Forward Work Programme.

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

Contact Officer: David Webster
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AUDIT COMMITTEE
FORWARD WORK PROGRAMME 2012/13

MEETING DATE	AGENDA ITEM	AUTHOR
12 December 2012	<ul style="list-style-type: none"> • Internal Audit Progress Report • Annual Audit Letter (WAO) • Management of Internal Audit • Audit Committee Terms of Reference • Audit Committee self assessment against CIPFA requirements • Certification of Grant Claims • Risk Management Strategy 	David Webster Kerry Feather David Webster David Webster Gary Ferguson / David Webster Vicki Woolf
30 January 2013	<ul style="list-style-type: none"> • Treasury Management Update and Policy & Strategy Statement 2013/14 (Op) • Code of Corporate Governance update • Role of the Audit Committee and Scrutiny in Financial Management 	Louise Elford Peter Evans Kerry Feather
13 March 2013	<ul style="list-style-type: none"> • Treasury Management Update (Op) • Annual Financial Audit Outline FCC & CPF (WAO) • Certification of Grants and Returns Report (WAO) • Internal Audit Progress Report • Internal Audit Strategic Plan • Financial Procedure Rules 	Louise Elford David Webster David Webster Liz Thomas

12 June 2013	<ul style="list-style-type: none"> • Treasury Management Update and Annual Report 2012/13 • Assessment of Internal Audit Report (WAO) • Regulatory Programme (WAO) • Internal Audit Progress Report • Internal Audit Annual Report 	<p>Louise Elford</p> <p>David Webster David Webster</p>
17 July 2013	<ul style="list-style-type: none"> • Draft Statement of Accounts • Annual Governance Statement 	

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY 25 SEPTEMBER 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **INTERNAL AUDIT PROGRESS REPORT**

1.00 PURPOSE OF REPORT

1.01 To present to members an update on the progress of the internal audit department.

2.00 BACKGROUND

2.01 At the meeting in July the committee agreed to a new format for the standard report from Internal Audit. This is the first report in that new format, which can be further amended as required by members.

2.02 The status of all projects as at 1st September is shown in Appendix A. The Appendix shows the agreed timing for the individual projects where it is known, and the actual number of days spent on each project.

2.03 The details of the outcomes of all reports finalised since the last Audit Committee are shown in Appendix B.

2.04 Tracking results.
Appendix C gives a summary of all recommendations tracked since the last committee.

2.05 Performance Indicators for the department and for the responses to reports are given in Appendix D.

2.06 An overview of current Investigations is given in Appendix E.

3.00 CONSIDERATIONS

3.01 **Audit Plan**

As outlined at the last Audit Committee the department is not at full strength following a recent recruitment exercise. In discussion with the Chief Executive and Head of Finance it was agreed to address this in year in two ways – to obtain additional temporary resource and to review the plan. The additional resource has been arranged and

Appendix A shows where revisions to the plan have taken place. In the main they consist of reducing the time allocated to consultancy projects.

- 3.02 The audit plan needs to be of sufficient size so that the work completed means the Audit Manager is able to give an opinion at the year end on the adequacy and effectiveness of the system of control, corporate governance and risk management within the Council. The current actions are aimed at ensuring that this remains the case.
- 3.03 Two projects have been deferred at the request of management. There have also been several requests for audits. These have been accommodated using some of the provision for requests.
- 3.04 The department is currently undertaking a major investigation which has already taken up more than half of the days allocated to investigations in the plan and has had an effect on planned audits. A number of reviews scheduled to start in July and August have been delayed, including:- Theatr Clwyd; Taxation; Payroll/Pensions; IT Procurement; Mobile Working; Pupil Referral Unit; and Vehicle Tracking. The investigation is ongoing and it is not yet known how much more resource will need to be used. This is being actively managed by a further review of the plan and of the need to buy in further temporary resource. It is intended to produce and implement a revised half year plan following this review. The updated plan will be brought to the Audit Committee for approval in December 2012. The content of the plan and the need to buy in staff will need to remain under review during the rest of the year.
- 3.05 **Final Reports**
- All reports finalised since the last committee meeting are shown in Appendix B. The Appendix also includes details of the limited assurance reports issued in that time, as follows:
- 3.06 **Final Report - Performance Indicators**
The WAO undertook a review of National Performance Indicators in 2011. Where issues were identified we examined the controls in place to ensure that the PI's are reported correctly and made recommendations to improve those controls.
- 3.07 **Final Report - Financial Systems**
This was a review of the main accounting systems which is undertaken annually as part of our regulatory work. It included testing of key controls and of the systems, procedures and processes in operation. Five of the seven recommendations had been made in previous years. Of these, three are covered by the introduction of the new Debt Recovery Policy. The other two are administrative points that can recur over time.

3.08 **Final Report - Housing Benefits**
This was a review that is undertaken annually as part of our regulatory work. The department has undergone many changes since the last audit with all work processes being reviewed and visits from the Department of Work and Pensions Performance and Development Team having taken place. Although the overall assurance level is limited due to the number of recommendations, accuracy levels within the Department have significantly improved since the previous audit. As the department is still in the process of implementing change it is expected that the next review will reveal the full extent to which the changes have raised performance.

3.09 Copies of all final reports are available for members if they wish to see them.

3.10 **Recommendation Tracking**

Appendix C shows the responses that have been received from recommendation tracking. Only 35% of recommendations that were due to be implemented at this time have actually been completed – which is in line with previous checks. The non-implemented recommendations will be tracked again at their new due date. It is intended to change the method of tracking. Previously tracking exercises have taken place every three months ready for the Audit Committee report. This has meant there is little time for analysis of the results. In the future it is intended to track recommendations as they fall due. That will give the opportunity to analyse the reasons for non-implementation and any areas for concern, which will then be included in future audit committee reports.

3.11 **Performance Indicators**

Appendix D shows the new range of performance indicators for the department. Most are green or amber.

The number of audits completed in budgeted time relates to the completion of substantial audits from last year's plan. This performance will be monitored and controlled more strongly in the coming year.

The average number of days taken to return draft reports has improved but is still outside the target time.

4.00 **RECOMMENDATIONS**

4.01 The committee is requested to consider the report.

5.00 **FINANCIAL IMPLICATIONS**

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

- 12.01 A Operational Plan
B Reports Issued
C Recommendation Tracking
D Performance Indicators
E Investigations

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

Contact Officer: David Webster
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Operational Plan 2012/13

CORPORATE					
Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed start date / Status
Risk	Risk Management.	10			JAN
Risk	Procurement	20		1	WIP
Reg	Performance Indicators	20			OCT
Advisory	Corporate Governance	10			NOV
Advisory	Collaborations	10			ONGOING
Advisory	Partnerships	10			APR
Advisory	Theatre Clwyd	20			AUG
Advisory	Business Continuity	10		4	WIP
Consult	Flintshire Futures	30	15		ONGOING
Consult	Lean Team	30	15	2	JUL AND ONGOING
Addition	Consultants		10		
		170	150	7	
FINANCE					
Risk	Medium Term Financial Strategy and Plan	20			NOV
Reg	Main Accounting	50			DEC
Reg	Housing Benefit	20			FEB
Reg	Council Tax and NNDR	20			NOV
Advisory	Housing Benefit Subsidy	15	0		CANCELLED SEE NOTE
Advisory	Corporate Grants	15		14	WIP
Advisory	Taxation	20			AUG
Advisory	Flintshire Connects	10			DEC
Addition	Housing Benefits Overpayments		2		
		170	157	14	

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed Start Date / Status
PENSION FUND					
Reg	Pensions Administration and Contributions	40			OCT
Addition	Pensions Contributions		5		
		40	45		
LEGAL AND DEMOCRATIC SERVICES					
Advisory	Commons Register	10			FEB
Advisory	Data protection	10			JAN
Advisory	Members Allowances	10		1	NOV
		30		1	
HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT					
Reg	Payroll & HR System	50		1	DEC
Advisory	Agency /Temporary Staff	10			MAR
Advisory	Disciplinary Policy	15			OCT
Advisory	Payroll / pensions	10			JUL
Advisory	Single status – costing of pay model	15	40	32	WIP
Consult	Service Review	10	5		ONGOING
Consult	Midland Trent: Phase 2	15	5		ONGOING
Addition	I Trent – Private vehicles		10		
		125	145	33	
INFORMATION AND COMMUNICATIONS TECHNOLOGY					
Risk	Information Governance	30		2	WIP/SEP
Advisory	IT Procurement	10			AUG
Advisory	Electronic document management	15			FEB

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed Start Date / Status
Advisory	Mobile working, mobile phone security, smart phones	20			JUL
		75		2	
LIFELONG LEARNING					
Reg	Grants	20		4	JUL AND ONGOING
Advisory	Leisure Centres - operation	20		7	WIP
Advisory	Youth & Community	10			OCT
Advisory	Facilities Services – Cleaning Services	10			NOV
Advisory	Pupil Referral Unit	10			JUN
Advisory	CCTV	10			NOV
Advisory	Student Services	15			NOV
Advisory	Free School Meals	10		6	FINAL
Advisory	Payments processing	10		18	WIP
Advisory	Music Service	5		7	WIP
Advisory	Funding Formula	15			NOV
Consult	Control Awareness Sessions New Heads and Governors	10	5		ONGOING
Consult	Develop audit presence on schools infonet	5	0		ONGOING
Schools	Central reviews	30			ONGOING
Schools	Risk based thematic reviews	30		16	ONGOING
Schools	Control and Risk Self Assessment	10		8	WIP
Addition	Cheque book schools		6	9	
		220	216	75	
COMMUNITY SERVICES					
Risk	Sheltered Housing	10			FEB
Advisory	Mobile working and work ticket validation	25	0		DEFERRED SEE NOTE

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed Start Date / Status
Advisory	Allocations	10			NOV
Advisory	Gas Servicing	15		1	WIP
Advisory	Rent Arrears	15		3	WIP
Advisory	Vehicle Tracking Follow Up	15			AUG
Advisory	Care Homes	10		12	WIP
Advisory	Disabled Facilities Grants	20			JAN
Advisory	Section 33	10		11	WIP
Advisory	Fostering	20		19	WIP
Advisory	Performance information	20		4	WIP
		170	145	50	
ENVIRONMENT					
Risk	County Town Network Regeneration and Protection	20			AUG
Risk	Highways Infrastructure	20			TBA
Risk	Waste Management	20			OCT
Advisory	Licensing	10		4	WIP
Advisory	Pollution Control	15			SEP
Advisory	Fleet Management	20			JAN
		105		4	

INVESTIGATIONS, PROVISIONS AND DEVELOPMENT					
Type	Audit	Plan Days	Revised Plan Days	Actual Days used	
	Pro-active fraud work and NFI	50		13	
	Provision for investigations	200		183	
	Provision for ad-hoc requests from Directorates	100	42		
	Follow up reviews	30			
	Audit Development - IDEA	30			
	Regional Collaboration	50	25		
		460	377	196	
	Overall Total	1565	1445	382	

Definitions

Regulatory work

Work based on the need to satisfy statutory and other requirements, and to demonstrate to external audit that they can rely on the work of internal audit as part of the annual accounts process.

Risk based audits

Work based on strategic and operational risks identified by the organisation in the SARC and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.

Advisory

Work based on discussions with management when the audit plan is being produced.

Consultancy

Participation in various projects and developments in order to ensure that controls are in place.

Changes to the Plan

Audits added to the plan

Corporate

Consultants – AC request, review of the constraints for the appointment and on the remit and monitoring of consultants to help give assurance that proper procedures are in place.

Finance

Housing Benefits Overpayments – review of how performance is reported.

HR

I Trent – compliance testing on Private Vehicles and Driving check after introduction of new procedure

Lifelong Learning

Payments processing – efficiency of the Lifelong Learning payments section.

Cheque Book Schools - three schools have moved to having their own bank account. Review of procedures and controls.

Pensions

Pensions Contributions – reconciliation of payments from other Authorities between the Pensions system and Flintshire Accounting system.

Audits cancelled or deferred

Finance

Housing Benefit Subsidy. Audited by WAO.

Community Services

Mobile working and ticket validation – management request, new system to be given time to become fully operational.

Appendix B

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
CD0200R1	Performance Indicators	Limited	0	9	3
FD0080R1	Financial Systems	Limited	0	7	15
FD6150R1	Housing Benefits	Limited	0	7	2
LD0220R2	Data Protection	Adequate	0	3	1
HR0150R1	Payroll	Adequate	1	4	2
LL0020S1	Primary School Free Breakfast Initiative	N/A	0	0	0
LL0090S1	Free School Meals	Green	0	0	1
EN0115R1	Affordable Housing Follow Up	N/A	0	4	0

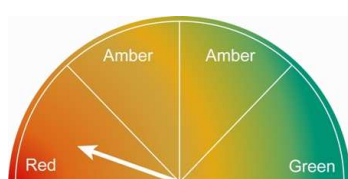
Levels of Assurance – standard reports.

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

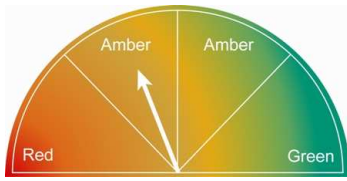
Adequate – A sufficient framework of key controls for the object to be achieved, but the control framework could be stronger. Or, controls are applied but with some lapses.

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

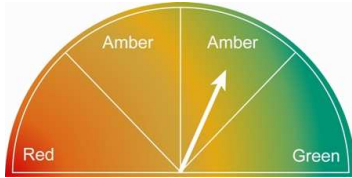
New levels of Assurance – standard reports.



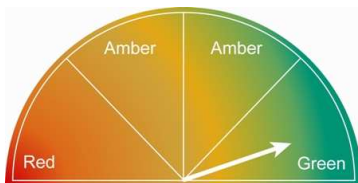
Taking account of the issues identified, the organisation cannot take assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.



Taking account of the issues identified, whilst the organisation can take some assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.



Taking account of the issues identified, the organisation can take reasonable assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.



Taking account of the issues identified, the organisation can take substantial assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied and effective.

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

Performance Indicators – CD0200R1

We have made nine significant recommendations, as follows:

- 1.1 Incorrect data provided by Children’s Services to the Education department for the calculation of PI EDU002ii (percentage of pupils in local authority care who leave school without an approved external qualification)
- 1.2 Incorrect figure used for pupil numbers in the calculation of EDU011(average point score for pupils in local authority schools)
- 1.3 Lack of evidence available to support the PI OAT10M2 (local Performance Indicator for total procurement efficiency savings realised)
- 2.2 No handover training given to employee responsible for PI THS007 (percentage of adults aged 60+ who hold a concessionary bus pass)
- 3.1 Inadequate supporting working papers for PI THS007 led to the WAO qualifying the data as missing. (percentage of adults aged 60+ who hold a concessionary bus pass)
- 3.2 PI PLA006 has not been submitted by the Council and was therefore qualified by WAO as missing (number of additional affordable housing units as a percentage of all additional housing units)
- 4.1 Instances where B&B accommodation had been arranged but not occupied had been included in the calculation of PI HHA016 leading to a report of underperformance.(average number of days all homeless families with children spent in Bed and Breakfast accommodation)
- 4.3 Inadequate system in place to ensure that schools cross check pupil level data with the raw data schools hold, to confirm that the data is complete and accurate – PI EDU011(average point score for pupils in local authority schools)
- 4.6 Sufficient source information is not retained on case files and the APP system is not fully utilised to record all relevant communications in all cases. PLA 005 (percentage of enforcement cases resolved within 12 weeks of receipt)

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
1.1	Children's Services officers involved in providing data for the Education PIs need to ensure that they understand PI definitions and therefore the exact data	Significant	This Performance Indicator (PI) is based on those aged 15 on 31 st August at start of the previous academic year. Following last year's problem with the cohort, this year	Completed	David Messum

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
	<p>requirements.</p> <p>The Education Officer responsible for compiling the data for the PI needs to annually check that:</p> <p>1. the correct Looked After Children (LAC) cohort academic year has been used by Children's Services. 2. All disappplied pupils have been correctly classified as leaving education, training, or work based learning without an approved external qualification).</p>		<p>Children's Services are supplying Dates of Birth with cohort pupil names. The Management Information (MI) Officer Education has checked these names are of correct age.</p> <p>Assessment dates for all the children that meet the other selection criteria, (e.g. not in short term placements) is checked by MI Officer Education and has been verified via email and within 2 meetings with Children's Services Officers and the Looked After Children (LAC) Officer and the Advisor for Social Inclusion and Wellbeing.</p>		
1.2	<p>Summary Secondary School Performance pupil totals need to be reconciled annually with Pupil Level Annual School Census (PLASC) as a 'proof in total' control. There must be a clear audit trail maintained by officers involved in collating information for the PI, including the reasons for the reconciling items. The reconciliation above should ensure that dual registered and home tutored pupils are excluded from total pupil numbers included in the PI calculation. In addition, those pupils also registered at colleges eg Deeside College should be removed to avoid duplication.</p>	Significant	<p>The provisional Summary of Secondary Schools Performance (SSSP) issued by Welsh Government (WG) in October was sent to schools (from WG via the Data Extraction Web Interface (DEWI) – secure file transfer) and the short timescale schools were given to confirm SSSP correct, was discussed at Secondary Heads Federation. However, school Head teachers agreed to check urgently and WG deadline was met. Every year the PI Manager advises school to check their SSSP in October as routine.</p> <p>Also, the Schools Management Information Team (SMIT) Team reviewed SSSP totals against the relevant January Pupil Level Annual School Census (PLASC) numbers on roll (at school level). This exercise is also completed in October.</p> <p>Also the MI Officer Education checks SSSP</p>	October 2012	Jenny Dobson

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
			<p>total against a. the WG Circular 'Examination Results' and b. checks the WG website StatsWales. These checks were conducted in February.</p> <p>All education staff understands that this PI excludes subsidiary registered pupils and pupils Educated Other Than At School (EOTAS).</p> <p>Issues in the previous year have highlighted problems with EOTAS. The SMIT team is working with the Assembly to verify and analyse data in advance of provisional SSSP.</p>		
1.3	When total annual procurement efficiencies are disclosed there should be a complete audit trail relating back to individual efficiency calculations, and this should be provided to external audit on a timely basis.	Significant	<p>As indicated in the findings The evidence supplied to the auditors substantiated £891096 of these savings and there are working papers to support this that relate to individual procurement efficiencies.</p> <p>This clearly demonstrated that there was an audit trail on individual procurement efficiencies.</p> <p>There were however, amendments made to the original efficiencies reported to WAO, due to an error concerning school transport savings that crossed two financial years. This error was corrected and revised figures re-submitted to WAO.</p> <p>The adjustments made, may on face value suggest that a clear audit trail was not present, however, this was not the case, even though the audit trail may seem complex.</p>	30 th June 2012	Arwel Staples

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
			<p>There is acceptance, that there was a slight delay in submitting revised figures, due to the Head of Procurement only working one day a week as well as being on annual leave at the time, when external auditors sought clarification.</p> <p>ACTION: Future procurement efficiencies reported will be detailed in a simpler format for ease of understanding and submitted in a timely manner.</p>		
2.2	Procedures should be in place to ensure that when responsibility for an indicator changes an adequate handover takes place.	Significant	Accepted – Policy & Performance Unit to issue note with PI guidance to ensure adequate handover procedures are in place	July 2012	Karen Armstrong
3.1	Heads of Service should notify the Performance Section of identified training needs.	Significant	Will be dealt with by the action for 2.2	July 2012	Karen Armstrong
3.2	The Performance section need to clarify with Stats Wales/data unit what data source they are permitted to use for the number of additional affordable housing units provided during the year. Whichever source is agreed, the performance indicator must be submitted by the mid May deadline.	Significant	The data source has been clarified, shared with the appropriate officer and the data reported for 2011-12.	Completed	Lynne Fensome
4.1	When calculating the HHA016 indicator, cases where B&B accommodation had not been occupied should be excluded from the total days included in the PI	Significant	This recommendation was implemented immediately after inspection. Any failures to occupy will not now be counted as part of the	Completed	Paul Neave

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
	calculation.		formula for this PI.		
4.3	The Performance Information Manager should annually communicate to schools that the pupil data included in the SSSP should be checked for accuracy with the source data held by individual schools	Significant	The Performance Manager annually emails schools and advises them to check their provisional SSSP in October as a matter of routine	As soon as the WG provides the draft SSSP the schools are emailed.	Jenny Dobson
4.6	Officers should ensure sufficient documentation is retained on case files to support the date enforcement case commenced and the date of determination/closure. In addition, officers should ensure these dates are accurately recorded in the Civica Public Protection System system. To improve the efficiency and effectiveness of the enforcement system, officers should utilise the functionality of the Civica Public Protection System so that it is used to record all relevant communications including dates of emails/phone calls next to date of closure. All relevant documents should be scanned and included with the case history.	Significant	<p>Procedures have now been put in place to ensure that dates are captured in the Civica Public Protection System and that officers record all relevant communications, etc. This was identified as particularly important given the move to agile working.</p> <p>Similarly the move to agile working is now driving the need for scanning of documents and this is part of the wider Electronic Document Management System (EDMS) project. The Service Support Manager is liaising with IT to facilitate.</p>	<p>Immediate</p> <p>To be confirmed when capacity/timetable agreed with IT</p>	<p>Mark Jones</p> <p>Mark Jones/Dave Hudson</p>

Financial Systems – FD0080R1

We have made seven significant recommendations, as follows:

- 2.3 Payments made to suppliers within the Construction Industry are not in line with current guidelines and best practice.
- 3.1 Journals are not being appropriately authorised prior to processing.
- 6.4 The processes for reducing the possibility of duplicate payments are currently inadequate.
- 6.5 The processes in place for setting up and monitoring new vendors are currently inadequate.
- 7.4 There is no statement of policy and operating procedure for the management of suppressed accounts.
- 7.5 The current processes for the collection and recovery of debt are inadequate.
- 7.8 Recovery rates used as a basis of the bad debt provision are not supported by historic data.

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
2.3	Officers involved in the administration of invoices submitted from suppliers within the construction industry should have adequate training on the issues highlighted and that this is now implemented as a matter of urgency. This is the same recommendation as made in the previous two reviews.	Significant	The findings relate to an issue with VAT and authenticated receipts. The sample tested will be reviewed along with the process for reclaiming VAT based on Authenticated receipts. If necessary, guidance / training will be provided to relevant Officers.	31 Dec 12	Finance Manager – Strategy and Technical
3.1	All journals must be properly authorised before they are processed. This is the same recommendation as made in the previous two reviews.	Significant	A reminder of the process for processing journals will be provided to Practitioners Group.	30 Sep 12	Finance Manager – Strategy and Technical
6.4	The Authority needs to ensure that they are achieving a return on the investment made in the Fiscal Technologies	Significant	The Accounts Payable function has now been transferred to Corporate Finance.	31 Mar 13	Finance Manager – Corporate Accounting and

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
	software purchased to aid the elimination of duplicate payments.		This area will be reviewed in the current financial year.		Systems
6.5	As the current New Vendors report does not capture sufficient information to allow effective scrutiny of the setting up, format of new vendors in the system and adequate authorisation and segregation, management should consider if the reporting format for new vendors can be changed. The report should identify the following: Name of vendor; Format of vendor (as recorded in the system, to allow review of format meeting standard set up requirements), Vendor address details, and Date set up, Input by. The report should also be subject to appropriate authorisation, confirming that new vendors have been checked and meet set up requirements.	Significant	The Accounts Payable function has now been transferred to Corporate Finance. This area will be reviewed in the current financial year.	31 Mar 13	Finance Manager – Corporate Accounting and Systems
7.4	A statement of policy and an operating procedure should be developed for the management of suppressed accounts, which sets out; - The criteria for suppressing an account; - The arrangements for monitoring and managing suppressed accounts; - The documentation which should be retained to ensure an adequate audit trail. Directorate Finance Managers should review all Sales Invoices with RTD	Significant	The Council commissioned Deloitte to undertake an initial review of the Corporate Debt process in 2011/12. A new Corporate Debt Policy which covers this point is being brought to members in October for approval.	31 Mar 13	Revenues Manager

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
	<p>(return to department) suppression codes on a monthly basis to ensure the decision to suppress recovery action remains appropriate. All accounts with 'stop markers' should be reviewed by Directorate Finance Managers on a monthly basis to determine whether the decision to suppress recovery action against current and future invoices on the account remains appropriate.</p> <p>This recommendation was made in the previous two reviews.</p>				
7.5	<p>The adequacy of the current processes and the current level of resources in place for the collection and recovery of corporate debt within the Authority should be assessed. In addition the resource issues around the recovery of aged debtor balances less than 97 days old need to be resolved as a matter of priority.</p> <p>This recommendation was made in the previous two reviews.</p>	Significant	<p>The Council commissioned Deloitte to undertake an initial review of the Corporate Debt process in 2011/12.</p> <p>A new Corporate Debt Policy which covers this point is being brought to members in October for approval.</p>	31 Mar 13	Revenues Manager
7.8	<p>The recovery rates used as the basis of the bad debt provision should be supported by historic data providing a rationale for the projections of non payment.</p> <p>This recommendation was made in the previous review.</p>	Significant	<p>The bases used to calculate bad debt recommendations will be reviewed in 2012/13 following the introduction of the new Corporate Debt Policy.</p>	31 Mar 13	Finance Manager – Corporate Accounting and Systems

Housing Benefits – FD6150R1

We have made seven significant recommendations, as follows:

- 1.3 Reports on Rent Officer Referrals are not adequate
- 2.2 Housing Benefit claims are not always supported by up to date information.
- 4.1 The reconciliations between General Ledger and the Civica system are not adequately performed.
- 4.2 The accounting process for Housing Benefits is not sufficiently robust.
- 4.3 The Year-End process for Housing Benefit Notifications is not efficient.
- 6.1 The Accuracy Spreadsheets are not sufficiently monitored for accuracy of results
- 9.1 There are inadequate resources to ensure Housing Benefit sundry debt is effectively recovered.

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
1.3	<p>Reporting problems with Rent Officer Referrals need to be addressed in a more expedient manner to ensure all cases requiring referral are picked off the system.</p> <p>Training on Rent Officer Referrals needs to continue as a priority to ensure all officers are aware of the necessity for accuracy in this area. All Rent Officer Determinations received should be scanned onto the system and appear on the work flow of the claims to which they relate with particular regard where the referral can relate to more than one claim.</p>	Significant	There continues to be issues with the reporting of Rent Officer Referrals which have been reported to our software company. In order to mitigate risk this area of work is subject to 100% manual checking. The issue with the running down of the administration of Housing Benefit from 2013 onwards means that our software company will be unlikely to ultimately fix issues like these which have been a problem for a number of years. This area has been scrutinised and investigated but our software suppliers have been unable to completely resolve the problems. When process issues are identified with individual members of staff these are rectified immediately. This is part of the quality	Ongoing	Sian Peters

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
			assurance process. Any errors found are then considered in the context of training and awareness. All issues are managed as part of performance management through team management and one to ones		
2.2	It is essential that all claims are properly supported in line with good practice guidance. It is essential that up to date information is held on the system to substantiate claims with earnings as these can fluctuate greatly particularly as regards to self-employed income.	Significant	The improvement in this area is ongoing and continuing. As part of a robust quality assurance process all issues that are raised are rectified immediately through the performance management process. Individual issues are brought to the attention of individual members of staff. Where appropriate additional training is provided.	Ongoing	Sian Peters
4.1	The monthly reconciliations of the General Ledger to the Civica system need to be 'reconciled' adequately to ensure that there are no items brought forward from the previous month. All monthly adjustments required need to be agreed between the Housing Benefit department and Service Accounting and performed concurrently.	Significant	The reconciliations take place every month; however there are still issues to be rectified (eg there will always be timing differences between the systems). Items identified have involved corrections to both systems. Corporate Accounting and Systems will liaise with Housing Benefits to progress. All items identified will be rectified within a reasonable timescale in future.	Agreed procedures to be implemented by 1 st October.	Steve Gadd / Sian Peters
4.2	Comprehensive written procedures need to be produced to ensure that Officers involved in the accounting process for Housing Benefit are fully informed and aware of the duties required. A formal handover of duties should be performed for accounting staff now involved in Housing Benefits to address the problems and ensure staff are fully	Significant	A procedure document will be finalised and ready for training up the newly appointed staff as part of implementation of FFR. Current timescale is November for implementation of FFR. In the interim there will be a handover of procedures by Howard Cox to the members of staff currently involved in the Housing	Timescale linked to FFR. Should be complete by December 2012. August 2012.	Steve Gadd / Sian Peters Steve Gadd

Ref	Recommendation	Categorisation	Management Comment	Implementation Date	Manager Responsible
	trained and informed on their individual tasks and the rationale behind them.		Benefit reconciliations.		
4.3	It is recommended that the process for producing the Year-End Notifications is 'leaner' cutting back the number of processes involved to reduce costs and eliminate added risks. A Flat file could be created with 'walk-sort' and sequence numbers and sent to Breeze with the template, printed off by Breeze and posted, hence streamlining the whole process.	Significant	This is fully recognised and a project has been set up to re-visit year end procedures and protocols. The current system is recognised to be unwieldy inefficient and lends itself to errors being made as it is so complex	31 st March 2013	Sian Peters/David Barnes /Sally Grieve
6.1	The weekly staff accuracy spreadsheets need to be strictly monitored to ensure accuracy of the results recorded.	Significant	This was a sophisticated but crude system that was implemented 12 months ago while an automated software solution was found. The new Performance Management Quality Assurance system is being fully rolled out to include all staff by the end of July 2012	31 st July 2012	Sian Peters
9.1	The Housing Benefit Department would benefit from added resource to concentrate efforts on reducing the amount of sundry debt and ensure adequate time is being spent on ensuring all monies due to the Authority are being recovered.	Significant	Business case will be put forward to Senior Management	1 st September 2012	Sian Peters

Recommendation Tracking








Status of Recommendations that have reached their Implementation Dates.




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ORIGINAL REPORT			RECOMMENDATION TRACKING			
Report Title	Report Reference	Date Report Issued	Response Received from Department	Number of Recommendations		
				Due since last Audit Committee	Implemented	Not Implemented
CORPORATE						
Procurement	CD0070R1	Mar 2012	Yes	10	6	4
Procurement	CD0070P1	Nov 2010	Yes	3	0	3
Performance Indicators	CD0200R1	Jul 2012	Yes	4	3	1
Use of Consultants	CD0500P1	Jan 2011	Yes	3	0	3
			Total	20	9	11
FINANCE						
Medium Term Financial Strategy	FD0040R1	Dec 2011	Yes	4	1	3
Procurement	FL0070M1	Sep 2009	Yes	1	0	1
Main Accounting	FD0080P1	Dec 2011	Yes	4	3	1
Main Accounting	FD0080N1	Sep 2010	Yes	3	0	3
Capital Programme	FD0090P1	Jan 2012	Yes	2	0	2
Enforcement	FL0300L1	Oct 2008	Yes	2	0	2
Housing Benefits	FD6150P1	Aug-11	Yes	1	0	1
			Total	17	4	13
LEGAL AND DEMOCRATIC						
Employment Practices Code	LD0220N1	Mar 2010	Yes	2	1	1
			Total	2	1	1
HUMAN RESOURCES						
Subsistence and Allowance	CS0130M1	Feb 2009	Yes	2	2	0
			Total	2	2	0

ORIGINAL REPORT			RECOMMENDATION TRACKING			
Report Title	Report Reference	Date Report Issued	Response Received from Department	Number of Recommendations		
				Due since last Audit Committee	Implemented	Not Implemented
ICT						
PCI Compliance Follow Up	IT0030N2	Jun 2010	Yes	1	0	1
Masterpiece Security System	IT0230P1	Apr 2011	Yes	1	1	0
			Total	2	1	1
LIFELONG LEARNING						
Youth and Community	EC0030K1	Sep 2007	Yes	1	1	0
Leisure Management System	EC0070L1	Dec 2007	Yes	1	0	1
Facilities Services Catering	LL0140R1	May 2012	Yes	7	5	2
E Teach	LL0190N1	Aug 2010	Yes	1	0	1
			Total	10	6	4
COMMUNITY SERVICES						
Children's Services Taxis	CS0070P1	Mar 2011	Yes	1	0	1
			Total	1	0	1
ENVIRONMENT						
Streetscene - Cleanliness	EN0010R1	Feb 2012	Yes	1	1	0
Business Enterprise Units	EN0010N1	May 2010	Yes	3	0	3
Section 106 Agreements	EN0020P1	Feb 2011	Yes	9	2	7
Fleet Management	EN0060P1	Jun 2011	Yes	1	0	1
Traffic Management Act	EN0070R1	Jun 2012	Yes	2	1	1
Data Management Public Protection	EN0080N1	Mar 2010	Yes	10	0	10
Technology Forge	EN0100N1	Apr 2010	Yes	1	1	0
			Total	27	5	21
			Total	81	28	53

Internal Audit Performance Indicators

Performance Measure	Quarter 1	Target	RAG Rating
Internal Audit Departmental Targets			
Audits completed within planned time	67%	80%	 ↓
Average number of days from closure meeting to issue of draft report	14	20	 ↑
Average number of days from response to issue of final report	3	5	 ↑
Return of client satisfaction questionnaires	92	70%	 ↓
Client questionnaires responses as satisfied	100%	95%	 →
Productive audit days	81%	75%	 →
Target for Client Departments			
Days to return draft reports	26	20	 ↑

Key  Target not achieved  Within 10% of target  Target Achieved

Investigations

1. The following new investigations have been referred and are being or have been investigated:

1.1. An investigation has commenced into alleged operational and financial irregularities within Streetscene, Four employees have been suspended and the Police have been informed.

1.2. An anonymous allegation was received concerning travelling expenses of a member of staff. The allegation was unfounded.

2. The following investigations have been reported to previous committees and are still being investigated:

2.1. Information was received regarding a potential fraudulent benefit claim by a member of the public. The subject is also in receipt of allowances from the Council under the Direct Payment scheme. The Legal department are considering advice received from Counsel.

2.2. Information was received regarding alleged collusion between employees and a supplier. A disciplinary investigation has been carried out.

2.3 Internal audit assisted a school in gathering evidence of a case where invoices have been paid for services that are not required by the school. The school are undertaking a disciplinary investigation into the matter.

3. The following investigations have been completed:

3.1. An allegation concerning Council property which may have gone missing has been investigated, the investigation was inconclusive.

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