

Public Document Pack

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Head of Legal and Democratic Services
Pennaeth Gwasanaethau Cyfreithiol a Democraidaidd



To: Cllr Alison Halford (Chair)

CS/ST

Councillors: Glyn Banks, Haydn Bateman,
Alan Diskin, Tim Newhouse, Ian Roberts and
Arnold Woolley

17 September 2013

Paul Williams

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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 **WEDNESDAY, 25TH SEPTEMBER, 2013** 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 2013.

Yours faithfully

Democracy & Governance Manager

AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **MINUTES** (Pages 1 - 18)

To confirm as a correct record the minutes of the meetings held on 17 July and 30 July 2013 (copy enclosed).

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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 2012/13** (Pages 19 - 22)
Report of Head of Finance enclosed.
- 5 **PLANNING - SECTION 106 AGREEMENTS** (Pages 23 - 30)
Report of Director of Environment enclosed.
- 6 **RISK MANAGEMENT** (Pages 31 - 50)
Report of Chief Executive enclosed.
- 7 **RISK MANAGEMENT REPORT** (Pages 51 - 72)
Report of Head of Finance enclosed.
- 8 **INTERNAL AUDIT PROGRESS REPORT** (Pages 73 - 106)
Report of Head of Finance enclosed.
- 9 **ACTION TRACKING** (Pages 107 - 114)
Report of Head of Finance enclosed.
- 10 **FORWARD WORK PROGRAMME** (Pages 115 - 118)
Report of Head of Finance enclosed.

AUDIT COMMITTEE
17 JULY 2013

Minutes of the meeting of the Audit Committee of Flintshire County Council held in Clwyd Committee Room, County Hall, Mold on Wednesday, 17 July 2013

PRESENT: **Councillor Alison Halford (Chair)**

Councillors: Glyn Banks, Haydn Bateman, Alan Diskin, Patrick Heesom, Ian Roberts and Arnold Woolley

LAY MEMBER: Mr Paul Williams

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

Interim Head of Procurement (minute number 22)

Ms. Amanda Hughes of Wales Audit Office

16. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Councillor G.S. Banks declared an interest in Agenda Item 8 - Contract Procedure Rules, as he was on the Council's list of approved contractors. The Head of Legal & Democratic Services advised that this was a personal interest.

17. MINUTES

The minutes of the meeting of the Committee held on 12 June 2013 were submitted.

RESOLVED:

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

18. DRAFT STATEMENT OF ACCOUNTS 2012/13

Prior to consideration of the report, the Chair referred to concerns that she had previously raised about the sharing of information on matters relating to the acquisition of AD Waste and that she and the former Vice-Chair, Mr. P. Williams, had subsequently felt could be addressed through an audit carried out by an external auditor. A range of information had subsequently been shared at a confidential briefing with the Chief Executive, senior officers and Mr. J. Herniman of the Wales Audit Office (WAO), which provided clarification. Although some responses to queries raised by Mr. Williams remained outstanding, the WAO had agreed with the advice of officers that there was no requirement for an external audit. Any balances in the financial statements would be looked at as part of the annual audit of the accounts. The Chair indicated that she was satisfied with this resolution and commented on positive working with officers to achieve this.

The Chief Executive thanked the Chair, Vice-Chair and Mr. Williams for attending the briefing and confirmed that the remaining information would be provided. In response to further comments, he advised that once the liquidation of AD Waste had been completed, a confidential report on the service continuity outcomes would be provided to the Committee with planned future internal audit work on waste operations including specific reference to 'inherited' operations. Councillor P.G. Heesom also indicated that he had been satisfied with the response provided at the briefing. Mr. Williams thanked officers for the open and frank exchange which had taken place to bring the matter closer to a conclusion.

The Corporate Finance Manager introduced a report to present the Statement of Accounts 2012/13 (subject to audit) for Members' information only at this stage. The accounts would be submitted to the Committee in late September 2013 for approval and recommendation to County Council following the audit.

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 - Council Fund, Reserves at Year End, Capital and HRA
- Core Statements
- Changes in 2012/13
- Next Steps

In response to earlier comments, a number of changes had been made to improve the format and layout of the accounts to assist the reader. The Committee was asked to encourage all Members of the Council to attend the 'drop-in' sessions with senior Finance officers in early September which offered the opportunity to raise queries on the accounts. Dates were being arranged and Members would be notified in due course.

Ms. A. Hughes of WAO confirmed that the draft accounts had been received within the statutory deadline and that there was a helpful ongoing dialogue with officers to address any issues arising.

The Head of Finance passed on her thanks to the officers across the Council who had worked hard to produce the draft accounts.

Councillor G.H. Bateman queried the increase in net expenditure for cultural and related services from last year and asked which services this involved. The Chief Executive said that this covered museums and community arts and may also include Clwyd Theatr Cymru which was a semi-separate entity. The Finance Manager (Strategy & Technical) agreed to provide a note of explanation. She would also provide detail on the increase in expenditure which could be due to the revaluation of assets carried out in the previous year.

On the reduction in long-term investments shown on the balance sheet, it was explained that the figures represented a snapshot at that time. As at 31 March 2012, a long-term investment of over £2m had been made which, at the same point in 2013, there were no long-term investments.

Councillor Heesom pointed out that a guidance note had not been included to explain the difference in the Pensions reserve. The Finance Manager (Strategy & Technical) said that Note 4 provided the relevant information on this with the scheme history providing an explanation on movement between 2008-2013. Technical adjustments were made to the account in accordance with accounting requirements / regulations. She added that this was a complex area of the accounts which could be discussed in more detail outside the meeting. Councillor Heesom agreed to this.

In response to queries raised by Mr. Williams on salary increases, the Chief Executive explained that the Director of Community Services had been appointed during the year in 2011 which meant that the full salary had only been reflected in the 2012/13 accounts. A note on this had been included in the accounts. The salary increase for the Head of Human Resources & Organisational Development was due to progression through incremental scales. Following a comment on the decrease in the building maintenance inventory and partnership arrangement with Travis Perkins, the Chief Executive advised that this service had been outsourced following a tendering exercise and was performing well. The Finance Manager (Strategy & Technical) said that the figures in the accounts reflected that this stock was now held by Travis Perkins rather than the Council. Mr. Williams asked if Internal Audit were monitoring the arrangement. The Internal Audit Manager confirmed that this was the case.

When asked about the increase in government departments under short-term debtors, it was explained that this was grant monies, owed to the Council at that point in time. The increase in 2012/13 was due to a small number of larger grants in Lifelong Learning being outstanding at the balance sheet date. The grants had subsequently been received. The Chief Executive said that the academic year rather than the financial year applied to some specific grants for Lifelong Learning and schools.

The Chair commented on the deferred liability which had been included in the accounts following the acquisition of AD Waste. The Head of Finance explained that as part of the transfer of the company, there was a need to recognise and provide for the environmental aftercare costs of former waste disposal sites. The Corporate Finance Manager said that the figure had been calculated to ensure there was sufficient funding for aftercare costs for the next 30 years.

On Equal Pay, the Chief Executive said that this was a sensitive issue currently under planning with expert external legal advice. It was intended to complete a Single Status Agreement in-year with reserves set aside to be discharged to meet one-off costs for Single Status and Equal Pay, which meant that the Council was in a stronger financial position than some other Authorities. On the calculation of Equal Pay entitlement, the Head of Legal & Democratic Services said that work was ongoing to refine information provided by the consultant to estimate costs. The Chief Executive said that there was a balance

between potential resources and capital borrowing approval from Welsh Government (WG) to meet the costs of Equal Pay and an application had been submitted to WG for capitalisation approval. On Single Status, he spoke of ongoing negotiations with Trade Union colleagues on Part 3 terms and conditions and the pay and grading model which were nearing completion for a report to Council.

On segmental reporting, Councillor Bateman asked if the figure in Government grants related to the WG Housing Subsidy. The Head of Finance explained about the £6.2m negative / deficit Housing Subsidy paid by the Council to WG under the current subsidy arrangements. In response to a query on the indicated cost for the acquisition of AD Waste, the Chief Executive agreed that a breakdown could be provided. He said that there had been no financial transaction between the Council and AD Waste and referred to the footnote which explained that the purchase price was recorded on the Council's balance sheet by way of an 'inter company' loan and would remain until the liquidation of the company. The Finance Manager (Strategy & Technical) went on to say that the balance sheet included total assets of £4.5m which matched with the inter company loan in the accounts, as mentioned in Note 28 - borrowing.

Responding to an earlier comment by Mr. Williams on the movement in reserves position from £417m to £341m and explanation given during the presentation on usable and unusable reserves, the Head of Finance pointed out that usable reserves had increased from £55m to £59m. One of the largest reserves was for Single Status and Equal Pay liability. She explained that she was required to advise Members on the adequacy of resources in determining the financial strategy and each year in setting the annual budget. This featured in the considerations of Overview & Scrutiny and Cabinet through the Medium Term Financial Plan and in the annual budget round. The Chief Executive commented on a statement made by the Local Government Minister on the need for Councils to carefully consider their reserves and explained that the Council's arrangements were complying with this.

On behalf of the Committee, the Chair expressed her appreciation to the officers for their work on the accounts.

RESOLVED:

- (a) That the draft Statement of Accounts 2012/13, together with the underlying policies, be noted;
- (b) That the planned provision of 'drop-in' sessions over the summer period be noted; and
- (c) That the Committee be provided with a written response to the above three queries raised by Councillor Bateman.

19. ANNUAL GOVERNANCE STATEMENT

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

explained the involvement of the Corporate Governance Officer Working Group in the preparation of the draft AGS which also included a number of amendments suggested by members of the Committee during an informal briefing at which the draft document had been shared. Members' attention was drawn to the four key areas of consideration.

Councillor P.G. Heesom welcomed the report and thanked the officer team for the work undertaken since the informal briefing. However he felt that the document could be reduced further and questioned the need to include Section 5 on significant governance issues if the document was meant to be generic, suggesting that an annexe may be more appropriate.

The Democracy & Governance Manager explained that the format of the AGS complied with joint guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). Comments previously raised by the Wales Audit Office (WAO) had led to a more co-ordinated approach, resulting in the establishment of the working group to prepare the AGS for the year ending 31 March 2012, when no comments or criticism had been received. The inclusion of Section 5 in the AGS, incorporating high 'red' risk areas of the Strategic Assessment of Risks & Challenges (SARC), had been agreed by senior officers and reflected the comments previously made by WAO. It was intended for a report to be submitted to the Committee in December 2013 to provide further Member involvement at the start of the process next year.

The Head of Legal & Democratic Services reiterated the importance of earlier involvement and challenge by Members before the final approval stage and commented on future changes to the analysis of major risks which would be reflected in the AGS.

In responding to Councillor Heesom's comments, the Chief Executive said that a balance was needed between Sections 4 and 5 of the AGS. Although further changes could not be made without compromising meanings, he agreed to review Section 5 and would also incorporate an update on the level of risk with Betsi Cadwaladr University Health Board as well as ensuring that other issues were covered such as regional governance on collaboration, uncertainty arising from national reviews and achieving the Welsh Housing Quality Standard in anticipation of the response from WG on the revised Housing Business Plan.

Ms. Hughes of WAO reminded the Committee that the AGS formed part of the Statement of Accounts as a public document and that although the guidance had been followed, the level of detail and layout was for the Committee to determine. She said that the key consideration for the Committee was to be satisfied by governance arrangements operating throughout the year and added that previous minor issues raised by WAO, including that for additional Member engagement, had been addressed. She went on to remark on work by WAO across Wales on the review of governance statements.

Following a query by the Chair on the number of requests received under the Freedom of Information Act (FOIA), the Democracy & Governance Manager said that nationally, requests leading to press coverage often resulted in an

increase in the number of requests. He went on to clarify the complaints procedure for FOIA requests.

A query raised by Councillor G.S. Banks led to clarification by the Head of Legal & Democratic Services on the different nature of complaints from whistleblowing.

RESOLVED:

That the Annual Governance Statement attached to the Statement of Accounts be approved subject to delegated authority granted to the Chief Executive to update and change the emphasis of Section 5.

20. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2012/13

The Finance Manager (Strategy & Technical) presented supplementary financial information to accompany the Draft Statement of Accounts 2012/13, as requested in the Notice of Motion approved by County Council on 29 January 2013. Information was split into three tables to show salaries over £60,000 per year for Council employees, posts covered by interim or temporary arrangements and consultants and non-permanent posts. The information was to be received annually alongside the Statement of Accounts following a Notice of Motion agreed by Council.

In line with the request, Table 1 listed Council employees not included in the 'senior employee emoluments'. Pension contributions by the employer were shown alongside total payments received by the employees under the heading 'total remuneration excluding pension contributions'. Table 2 listed the amounts paid to organisations to engage individuals on a temporary basis and indicated theoretical annualised costs as required by the Notice of Motion. Table 3 listed non-permanent posts covered by consultants and included actual costs incurred by the Council alongside theoretical annualised costs.

The Chief Executive explained that Table 3 listed individuals for which permanent posts were not required, providing specific short-term support, for example, until services were finalised. He cited the Out of County Review as an example where efficiencies had been made as a result of such external support.

Officers noted Councillor G.H. Bateman's request that future reports include a total for the 'actual cost incurred' column on Table 3. It was acknowledged that no value would be added for the final annualised costs column to be totalled as this was theoretical. In response to a query on the role of Principal Accountant on Table 1, the Chief Executive explained that this related to the transfer from AD Waste in which salaries were in accordance with transfer legislation. The Head of Finance confirmed that the post was included in the Finance structure but the postholder was subject to protective circumstances due to the transfer arrangements. In response to a query on Table 3 on Single Status, the Chief Executive advised that specialist support had been required to deal with this complex project through the engagement of a Project Manager with additional job evaluation analysts providing required additional resources.

In commenting on Single Status, Councillor I.B. Roberts said that spend on consultants was necessary if a satisfactory resolution was to be achieved. He remarked on the likelihood that the number of consultants engaged in non-permanent posts to provide specific support would increase as workforce numbers reduced. The Chief Executive agreed that this was a possibility and spoke of the potential for new projects which would require a business case for additional short-term support.

RESOLVED:

- (a) That the contents of the report be noted; and
- (b) That future reports include a total for the 'actual cost incurred' column on Table 3.

21. FINANCIAL PROCEDURE RULES

The Corporate Finance Manager introduced the report on the proposed updated Financial Procedure Rules (FPRs) for approval and sought a recommendation to the next available County Council meeting on 25 September 2013. He outlined the responsibility of the Head of Finance on FPRs and gave an overview of the changes to the existing rules arising from the fifth review undertaken.

Councillor P.G. Heesom asked if Rule 2: Financial Planning and Rule 3: Budget Management (Revenue and Capital) had been recently amended to take account of any concerns on medium term financial planning.

The Chief Executive confirmed that recent amendments had been made to show transparency in arrangements. He felt that the update had been a useful process and had more fully reflected roles and responsibilities, for example accountability at Heads of Service level in the monitoring and controlling of income and expenditure against the budget heads approved in the annual budget. The Corporate Finance Manager added that the review of the outturn 2012/13 position had identified a need to clarify detail on roles and responsibilities and this had been addressed as part of the update. The Head of Finance said that a great deal of work was ongoing on financial strategy and planning in different services and that the FPRs required continual review to ensure that they were current and accurately reflected this.

Mr. P. Williams welcomed the report and asked about any impact on training and resources as a result of implementing the changes. The Corporate Finance Manager explained that briefing sessions were planned to raise awareness. Mr. Williams asked if the report was to be considered by Overview & Scrutiny as he felt it would be useful to note the accountability of officers.

The Chair noted that the report was to be received by the Constitution Committee later in the day and queried the resolution if the two Committees held differing views.

In response to both questions, the Democracy & Governance Manager explained that the Audit Committee, rather than the Constitution Committee, was

the lead on considering detail on FPRs and that he would report this verbally at Constitution Committee. He said that the update would tie-in with the three year programme to review and update the Constitution. In agreeing with the suggestion made by Mr. Williams, the Chief Executive said that the next budget monitoring report was due to be received by Cabinet and Corporate Resources Overview & Scrutiny Committee in September 2013 and that the latter report could include information on the strengthened controls and be cross-referenced with the updated FPRs.

Councillor Heesom spoke of the benefits of a joined-up approach between Audit Committee and Overview & Scrutiny and said that the former would have a crucial role in reviewing the latter. The Democracy & Governance Manager confirmed that regular briefing meetings would be arranged between the Audit Committee and Overview & Scrutiny Chairs and Vice-Chairs. The second of these briefings had been cancelled due to the cancellation of the special County Council meeting in July 2013 and would be re-arranged to follow the next available Council meeting.

RESOLVED:

- (a) That the updated Financial Procedure Rules be approved and recommended for submission to Council; and
- (b) That the budget monitoring report to be submitted to Cabinet and Corporate Resources Overview & Scrutiny Committee in September 2013 include reference to the strengthened controls and links to Financial Procedure Rules.

22. CONTRACT PROCEDURE RULES

The Interim Head of Procurement introduced a report to consider and comment upon the revised Contract Procedure Rules (CPRs) prior to consideration by Constitution Committee and approval by County Council. He explained that the document underpinned procurement activity undertaken by the Council and said that attempts to adopt a national set of CPRs had encountered difficulties due to a failure to reach mutual agreement across all Councils in Wales.

In welcoming the document, Councillor P.G. Heesom spoke about the need to cross-reference issues to the Medium Term Financial Plan (MTFP).

Councillor G.S. Banks felt that there was a contradiction between clauses 10.3, 41.1 and 41.3 on changes to the tendering process. The Interim Head of Procurement explained that the requirement for Cabinet approval of tender exemptions above £1m had been changed to streamline the process as a technical judgement. Similarly, approval of contract values, including variations, over £1m allowed involvement at Monitoring Officer or Chief Finance Officer level in consultation with the Cabinet Member. In response to concerns raised by Councillor Banks, it was explained that the approach had been simplified to alleviate any unnecessary delay to enable contracts to be signed and earlier commencement of work, with the necessary controls in place.

The Head of Legal & Democratic Services pointed out that Cabinet would still be required to approve contracts and that Cabinet Members could refer back to Cabinet if necessary.

The Chair asked to be kept informed on the use of consultants and remarked on savings in the Procurement service. The Interim Head of Procurement reported savings of between £800,000-900,000 which exceeded the efficiency target reported in the Outcome Agreement to the Welsh Government.

The Chief Executive said that the proposals would address any delays to tendering which could potentially compromise schemes and hoped that inclusion of clauses 46.1 and 46.2 in the CPRs gave assurance on controls in place for the use of consultants. He went on to refer to joint arrangements with Denbighshire County Council in relation to the Interim Head of Procurement.

RESOLVED:

That the revised Contract Procedure Rules be endorsed for submission to Council.

23. COUNCIL BANKING ARRANGEMENTS

The Chair asked that the Committee note the report which provided information on the Council's banking arrangements following recent branch closures and initial proposals for the tender exercise to be carried out in 2014.

Councillor I.B. Roberts said it was disappointing that bank branch closures had only come to light following complaints made by schools and that alternative arrangements had been made in response to his raising the matter with the Director of Lifelong Learning and Head of Finance. He felt that any variation in branch presence in Flintshire should be included in tender documentation to encourage banks to provide viable services for the area. He added that reliance on bank branches was outdated and suggested that the use of Post Offices could be explored as an alternative accessible option.

The Head of Finance advised that the Finance Manager (Strategy & Technical) would be leading a team to undertake work on the bank tender exercise and that within the Council and in banking methods in general there had been many changes since the service had been last tendered. She agreed that processes should be leaner and more modern and that a review of the approach was being addressed. Councillor Roberts asked to be kept informed of progress.

Following a suggestion by the Chair that Councillor Roberts be involved in discussions with officers, the Chief Executive said that any specific information would be shared informally with the Committee, with the option for more formal discussion if it was required.

RESOLVED:

- (a) That the report be noted;

- (b) That Councillor I.B. Roberts be kept informed on progress with the provision of bank services in Flintshire; and
- (c) That any specific information on the tendering of bank services be shared informally with the Audit Committee, noting the option for more formal discussion if required.

24. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

(The meeting started at 10.00 am and ended at 12.25 pm)

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Chair

AUDIT COMMITTEE
30 JULY 2013

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Tuesday, 30 July 2013

PRESENT: Councillor Alison Halford (Chair)

Councillors: Glyn Banks and Arnold Woolley

SUBSTITUTE: Councillor Marion Bateman (for Haydn Bateman)

APOLOGIES: Councillors: Ian Roberts, Mr Paul Williams, Chief Executive, Head of Finance and Finance Manager (Strategy & Technical)

IN ATTENDANCE: Head of Legal & Democratic Services, Internal Audit Manager, Democracy & Governance Manager, Corporate Finance Manager and Committee Officer

Ms. Amanda Hughes of Wales Audit Office

25. SUBSTITUTION

Prior to the start of the meeting, the Democracy & Governance Manager explained the constitutional requirement for the Committee to consider whether appropriate reasons had been provided for the proposed substitution. The Chair and Councillor G.S. Banks both indicated their agreement.

RESOLVED:

That Councillor M. Bateman be permitted as a substitute for the meeting.

26. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

No declarations of interest were made.

27. TREASURY MANAGEMENT ANNUAL REPORT 2012/13 AND 2013/14 UPDATE

The Corporate Finance Manager presented the Annual Report on the Council's Treasury Management Policy, Strategy and Practices 2012/13 together with an update on Treasury Management activity in 2013/14 to the end of May 2013. The report included the reporting cycle schedule for these reports, together with the draft Annual Report to be submitted to Cabinet and full Council in September 2013. The Corporate Finance Manager highlighted the key points on activity within this and gave a brief update on investments and borrowing. In pointing out an error in paragraph 3.10 of the report, he confirmed that the total investment balance was £61.9m as stated in Appendix 3 to the report.

The current Treasury Management Strategy had been implemented in April 2013 and there was an obligation to report on any breaches. Following reference by the Corporate Finance Manager to a breach in relation to a limit

applied to a new investment of an A- rated counterparty, the Chair sought clarification on why this had not been applied. The Corporate Finance Manager explained that an investment of £7m had been made at an early stage of implementation of the new Strategy where the individual had made the investment based on the limit in the previous Strategy. This had been immediately identified and rectified, with the additional £2m returned, and steps taken to ensure there was no repeat. In response to a query raised by Councillor G.S. Banks, the Corporate Finance Manager said that there was no financial loss arising from this and that the money had been returned the day after the request had been made.

Following queries raised by Councillor M. Bateman, the Corporate Finance Manager explained that the claim to Landsbanki had been submitted on the understanding that interest amounts would be paid on the investments. In response to a question on the Single Status and Equal Pay reserve, the Corporate Finance Manager stated that, as with all reserves held, this would form part of overall cashflow considerations in dealing with Treasury Management activity.

Councillor Banks referred to the Council's average borrowing rate of 5.43% throughout the year and asked about the highest and lowest rates. He also asked if officers had explored the potential to share treasury management advisor services with other Councils to achieve savings. The Corporate Finance Manager pointed out that each Council would have its own Treasury Management Strategy but would provide a written response to both queries.

In response to a question from the Chair on borrowing activity, the Corporate Finance Manager explained that the Capital Financing Requirement (CPR) indicated the level of debt to fund capital expenditure. The difference between this amount and the total external debt was due to internal funds being utilised instead of borrowing.

Councillors Banks and Bateman sought clarification on a number of issues in relation to Landsbanki. The Corporate Finance Manager explained that the assets held by Landsbanki in their reported accounts meant that it was reasonable to still assume that the Council would eventually receive 100% of its investment. A large number of investors, particularly in the Local Government sector, were involved in the process to seek recovery of their investments. Collective action by the Local Government Association on behalf of Councils to instruct a firm of solicitors to act jointly had reduced legal costs. The Head of Legal & Democratic Services confirmed that the information on investments in the report did not reflect these legal costs. He explained that these were not recoverable from Landsbanki and that to pursue them through a legal route would result in a reduction in the amount available to be claimed.

Ms. A. Hughes of Wales Audit Office confirmed that the position on these investments had been accounted for within the financial statements.

RESOLVED:

- (a) That the report be noted; and

- (b) That the Corporate Finance Manager provide the Committee with a written response to the two queries raised by Councillor Banks.

28. CERTIFICATION OF GRANT CLAIMS AND RETURNS 2011/12

Ms. A. Hughes of Wales Audit Office (WAO) presented the annual report on the grant claim certification for the year ending 31 March 2012. She confirmed that the Council generally had adequate arrangements in place for the production and submission of its 2011/12 grants claims. It was noted that the Council had addressed a number of recommendations made in the report for 2010/11 including the procedure on the grants completion checklist for all grant claims.

The overall grants total for 2011/12 was £193m comprising 26 grants and returns, 14 of which were unqualified with no amendment, four unqualified with some amendment, three qualified with no amendment and five qualified with some amendment.

In response to the Chair's request for further explanation, Ms. Hughes said that a qualification meant that an error had been identified, such as where the Council's correct process had not been followed, which could not be resolved through adjustment. She stated that the recommendations all related to procedural and process type matters and that the WAO would work with Council officers to improve these. To assist with this, she suggested that the WAO provide training to officers responsible for dealing with grants.

Councillor M. Bateman asked if any of the grants and returns certified for 2011/12 had been qualified in previous years. Ms. Hughes did not have this information to hand but was aware of previous qualified claims for Communities First which were not unique to Flintshire. Councillor Bateman went on to question the length of time of qualification and whether actions from previous years had been addressed. Ms. Hughes said that previous recommendations had mainly been addressed although some remained outstanding and were carried forward. A qualification could result in a request from the grant awarding body for further information to satisfy itself of the outcome.

Councillor G.S. Banks referred to the net adjustment of £44K resulting from changes to grant entitlement and asked how this compared with other Councils. Whilst unable to comment on comparison, Ms. Hughes felt that this figure was a fair result based on the number of amendments required and the overall total.

The Corporate Finance Manager reassured Members that steps were taken to deal with the recommendations and findings of the WAO and that improvements had been made through the implementation of the new structure in Finance. He acknowledged that further improvements were needed and welcomed the suggestion of training which would benefit audit time and fees. Ms. Hughes commented that insufficient supporting papers resulted in increased time of WAO audit work which was reflected in fees payable by the Council.

In responding to a question from the Chair on the Housing and Council Tax Benefits Scheme, Ms. Hughes commented that this was an area of

significant complexity within many Councils, where individuals were required to notify the Council of any changes in circumstances. She explained that the lack of an adequate audit trail for this area meant that no evidence could be shown to demonstrate the preparation of calculations. A previous report issued by WAO had been critical of the Council's processes in this area, however Ms. Hughes was pleased to note that these had mostly been addressed.

Further queries were raised by the Chair on Recommendations 2 and 5 in the report. On the latter, Ms. Hughes confirmed that the Council adequately recorded its assets but recommended that Communities First held a register to list its assets and that this was outside the Council's remit. On the strengthening of arrangements to ensure that adequate supporting information was provided to WAO, the Corporate Finance Manager said that the improved process in completing grant claim completion checklists would assist in the majority of cases.

Councillor Banks asked if the outcomes from the report could be included in the report for 2012/13 to show comparison and progress made. Ms. Hughes agreed to this request.

RESOLVED:

- (a) That the content of the Grant Claim Certification for 2011/12 be noted;
- (b) That the suggested training session for Council officers by Wales Audit Office be pursued; and
- (c) That outcomes from the Wales Audit Office report on Certification of Grants and Returns 2011/12 be included in the report for 2012/13 to show comparison.

29. AUDIT COMMITTEE TERMS OF REFERENCE

The Internal Audit Manager presented the report to seek agreement to changes to the Audit Committee Terms of Reference, Article 7 in the Council's Constitution, to reflect arrangements currently in place. The document had been prepared in consultation with Wales Audit Office (WAO) representatives, the Chief Executive, Head of Finance, Head of Legal & Democratic Services and Democracy & Governance Manager.

The Democracy & Governance Manager explained the requirement for the report to be considered by the Constitution Committee including whether or not the changes to the report would also need approval by full Council.

Councillor M. Bateman raised concerns about the proposed removal of wording under 'Internal Control' on the accountability for the security and misuse of computer systems. The Internal Audit Manager explained the suggestion to amend the original wording, which had been inserted some time ago, to remove the emphasis on computerised systems due to the extensive use of computer-based systems now in place. He added that the proposed changes in the document were suggestions that could be amended further or reinstated depending on Members' views. In response to further queries raised by

Councillor Bateman, the Head of Legal & Democratic Services gave clarification on teams and systems in place within the Council who were responsible for information security, commenting that the Information Commissioner's audit of Data Protection practices in Flintshire had highlighted this as an area of good practice.

In response to the concerns raised by Councillor Bateman, the Chair asked that some of the detail on information security of computer systems be reinstated.

Councillor G.S. Banks referred to discussion at a previous meeting on the approval process of tendering exemptions and raised similar concerns about responsibility for approving changes to the Constitution. The Head of Legal & Democratic Services advised that the Council had agreed that minor amendments to the Constitution could be made following consultation with the Chairman of the Constitution Committee and Group Leaders where none of them objected.

The Democracy & Governance Manager referred to the size of the Constitution which required continual update and that the improved arrangement under delegated powers to officers made it easier to keep the Constitution up-to-date.

RESOLVED:

That the proposed changes to the Audit Committee Terms of Reference be approved, including a further change to reinstate some wording on information security in relation to computer systems.

30. INTERNAL AUDIT CHARTER

The Internal Audit Manager presented the report to outline the updated Internal Audit Charter. Changes had been made in accordance with requirements of the new Public Sector Internal Audit Standards (PSIAS) which had replaced the Chartered Institute of Public Finance & Accountancy (CIPFA) standards. Most of the changes reflected current practices which had not previously been included in the Charter.

The Chair pointed out that the section on 'Audit Responsibility' did not include mention of Police involvement in terms of any improprieties. The Internal Audit Manager explained the process leading up to any contact with the Police, with possible involvement by Human Resources, but stressed that any decision to take the matter further would rest with the Police.

The Democracy & Governance Manager suggested that the Charter could include reference to the involvement of appropriate officers such as the Head of Legal & Democratic Services on such matters.

The Head of Legal & Democratic Services provided more detail on the investigations process including his involvement in issues identified under the disciplinary policy. He also provided information on the involvement of the Crown Prosecution Service in cases reported to the Police, together with clarification on

the Council's Whistleblowing Policy where individuals internally or externally were able to report matters firstly through internal procedures or directly to the Police.

Following a request made by the Chair, the Internal Audit Manager agreed to include more detail on Police involvement during investigations by Internal Audit into matters relating to fraud and irregularities.

Under the section on 'Independence and Authority', Councillor G.S. Banks referred to the opening paragraph relating to impartial advice to management and suggested that reference be included on the provision of advice from Wales Audit Office (WAO) colleagues in working alongside Internal Audit and the Audit Committee. Ms. Hughes of WAO suggested that this could be expanded upon in the penultimate bullet point on liaison with the external auditor under 'Audit Responsibility'.

Councillor M. Bateman queried the removal of text on the 'efficient and effective use of resources' under 'Definition of Internal Audit'. The Internal Audit Manager explained that the original wording taken from CIPFA had been replaced by the new definition from PSIAS, but agreed to reinstate part of this.

RESOLVED:

That the proposed changes to the Internal Audit Charter be approved, together with three additional changes:

- To include more detail on Police involvement in the undertaking of investigations into fraud and irregularities in consultation with appropriate Council officers;
- To include reference to the provision of advice from Wales Audit Office colleagues in working alongside Internal Audit and the Audit Committee; and
- To include wording on economic, efficient and effective use of resources.

31. ACTION TRACKING

The Internal Audit Manager introduced the report on actions resulting from points raised at previous meetings of the Audit Committee. The report contained a summary of actions carried out to date, the majority of which had been completed. An update on those remaining would be reported to a future meeting.

In response to a comment made by the Chair, Ms. Hughes of Wales Audit Office confirmed that there were no longer any balancing entries in the income and expenditure account but that balancing entries had increased in the cashflow statement. Discussions with the Finance Manager (Strategy & Technical) had confirmed that work was ongoing by officers to resolve this. Ms. Hughes said that the issue would be considered by WAO in the context of the audit on the accounts once officers had completed their work. If there were any ongoing concerns, WAO would raise these as part of this year's audit, however it was hoped that a satisfactory outcome would be achieved at the end of the audit.

On the Internal Audit Progress Report for 12 June 2013, the Chair gave a reminder for Councillor I.B. Roberts to be kept informed of progress on changes to school banking arrangements. The Internal Audit Manager explained that this agreement had been made at the subsequent meeting on 17 July 2013 and would be included on that action sheet.

The Democracy & Governance Manager advised that the second briefing meeting between the Audit Committee and Overview & Scrutiny Chairs had been deferred from 23 July 2013 to 10 September 2013 due to the cancellation of the special County Council meeting.

RESOLVED:

That the report be accepted.

32. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the report to consider the Forward Work Programme for the next year.

The Democracy & Governance Manager advised that a report on Corporate Governance would be submitted to the December 2013 meeting to consider Member involvement in the preparation process for the next Annual Governance Statement and the annual update of the Code of Corporate Governance.

Councillor M. Bateman suggested that a future item be included on qualified grant claims and time taken to resolve. Ms. Hughes of Wales Audit Office advised that the report on grant claims for the following year would include an update on previous qualifications which were unresolved.

RESOLVED:

That the Forward Work Programme be approved with the inclusion of the Corporate Governance item for the December 2013 meeting.

33. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

(The meeting started at 2.00 pm and ended at 3.30 pm)

.....
Chair

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 25 SEPTEMBER 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **STATEMENT OF ACCOUNTS 2012/13**

1.00 PURPOSE OF REPORT

1.01 To present to Members of the Audit Committee the Statement of Accounts for 2012/13, 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 2012/13 financial statements -

- Flintshire County Council
- Clwyd Pension Fund

1.03 To present to Members of the Audit Committee; the Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund.

2.00 BACKGROUND

2.01 The Audit Committee received the draft Statement of Accounts 2012/13 on 17th July 2013 - 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 2012/13 accounts is now substantially complete; the audit continues up until the point at which the accounts are signed off by the auditors.

3.02 A copy of the Statement of Accounts for 2012/13 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. Drop in sessions were arranged for Members on 12th & 13th September to provide an opportunity for further explanation should Members wish to take up the opportunity.
- 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 (2013/14).
- 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 The Letter of Representation requires the Council to confirm the accuracy of the audit. In this letter, 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.
- 3.09 Copies of; the Letter of Representation - Flintshire County Council, and the Letter of Representation - 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 letters, to the meeting with them).

4.00 RECOMMENDATIONS

- 4.01 Members are requested to recommend to County Council the final version of the Statement of Accounts 2012/13.

4.02 Members are requested to consider WAO's reports; Audit of the Financial Statements – Flintshire County Council, and Audit of the Financial Statements – Clwyd Pension Fund.

4.03 Members are requested to 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 2012/13 Final Accounts Working Papers

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 25 SEPTEMBER 2013**

REPORT BY: **DIRECTOR OF ENVIRONMENT**

SUBJECT: **PLANNING - SECTION 106 AGREEMENTS**

1.00 PURPOSE OF REPORT

1.01 To update the Committee on issues related to the use of Planning Section 106 Agreements further to the audit of the use of Section 106 Agreements in February 2011.

2.00 BACKGROUND

2.01 A Section 106 Agreement is the legal agreement made between a Planning Authority and applicant / developer and any others that may have an interest in the land.

2.02 As part of the planning process, a Local Planning Authority and a developer can agree a planning obligation to provide infrastructure and services on, or off, the development site. The contribution can be in-kind, or a direct payment to the Authority.

2.03 Section 106 Agreements have become increasingly important to the provision of public services such as affordable housing, highways, recreational facilities and the improvement of educational facilities.

2.04 Whilst national legislation sets out the general principles under which Section 106 Agreements can be acceptable, it is for local authorities to interpret and apply Section 106 and this highlights the importance of having a solid policy base to their use.

2.05 To retain confidence in the planning system, Section 106 Agreements must be undertaken in accordance with the fundamental principle that planning permission must not be "bought or sold". Section 106 uses are limited to cases where they are:

- Relevant to planning;
- Necessary to make the development acceptable in planning terms;
- Directly related to the development;
- Fairly and reasonably related in scale to the development;
- Reasonable in all other aspects.

2.06 It is within this context that the internal audit into Flintshire's use of Planning Section 106 Agreements was commissioned by the Head of Planning. Since the findings of the audit report were published, there has been considerable progress in this area and this report seeks to set out that work and further work to be undertaken.

3.00 CONSIDERATIONS

3.01 Whilst the audit did not identify any fundamental risks it did identify a lack of confidence in the processes related to Section 106 Agreements and whether, once signed, the obligations of the Agreements were being recovered by the Council.

3.02 In response to this recommendation (3.67), a full list of all Section 106 Agreements signed since 2000 is being compiled for all areas of Flintshire.

3.03 This work has begun in the geographical areas of greatest growth over the past decade, as these areas were more likely to have been subject to planning permissions with Section 106 Agreements attached. Spreadsheets have been produced of each agreement signed; the triggers that have to have been reached for the money (or infrastructure) to be provided; what funds or infrastructure have to be provided; whether the trigger has been reached; whether the money or infrastructure has been provided; and whether the money has been spent and on what (particularly relevant to play equipment).

3.04 Once completed and verified, these spreadsheets have been shared with the Town and Community Councils. Generally, these have been well received as in some instances this data has been required from the Council for some considerable time. These reviews have helped improve the transparency of the Section 106 process. Pleasingly, the reviews have also revealed that there are very few occasions where Section 106 monies have not been forthcoming from a developer and in those cases resolution is being sought. The reviews have helped the pro-active monitoring of Section 106 Agreements and improved clarity regarding responsibilities for each step of the Section 106 process.

3.05 An example of such a geographical review will be provided to the Committee.

3.06 It has to be accepted that progress in this geographical review has been slow as the systems for monitoring were being established. However, now the reviews will move in to areas of less growth, it is hoped that progress will be quicker.

3.07 The audit also sought immediate progress in the review of the Local Planning Guidance Note on educational contributions (3.57) LPG 23. The primary concern expressed was that the level of contributions

being sought was not at an appropriate level and there was a lack of clarity regarding the circumstances when contributions would be sought.

- 3.08 Through the work of Planning Protocol Working Group, a revised Local Planning Guidance Note on educational contributions has been developed (LPG 23), consulted upon and subsequently adopted by the County Council in 2012.
- 3.09 LPG 23 has been updated and increased the level of financial contributions developers are required to provide to mitigate against the demand on school places in the locality. The revised contributions now reflect levels charged elsewhere in Wales. This increase has been welcomed by Lifelong Learning colleagues and by including funding formulas, calculation methodologies and circumstances when the formula will apply within the LPG, it has introduced greater clarity into the Section 106 process.
- 3.10 That said, the debate regarding educational contributions continues and a joint paper is being prepared with Lifelong Learning colleagues for consideration at Environment Overview and Scrutiny Committee in the autumn.
- 3.11 The audit report stressed the importance of ensuring that Section 106s accurately reflected the communities' desires for infrastructure improvements (3.13). This "Community Priority List" was identified as supporting the establishment of the Local Development Plan and needed to be drawn up in association with the Town and Community Councils. With the Delivery Agreement for the Local Development Plan now in its draft format, the concept of a "priority list" was discussed with Councils at the County Forum in June 2013. As part of the work on the Preferred Strategy for the Local Development Plan, appropriate aspects of infrastructure improvement will need to be identified. The Local Development Plan's production is to be monitored against the Delivery Agreement – a project plan for key document development.
- 3.12 Issues regarding delays with granting planning permissions that are subject to Section 106 Agreements were identified by the audit (3.23 and 3.26). Again, significant advances have been made in this area.
- 3.13 The format of recommendations to Planning and Development Control Committee have been amended so that if the Section 106 Agreement remains unsigned after six months, the Head of Planning can now refuse planning permission under his delegated powers (i.e. without the matter returning to Committee). This step has placed greater urgency on all parties to ensure that the agreements are concluded in a timely manner.
- 3.14 In addition to improvements in the signing of new agreements,

progress has been made with tackling the backlog of unsigned Section 106 Agreements which followed a resolution of Committee to grant planning permission. Work with the Cabinet Member, Head of Planning and the Head of Legal and Democratic Services have returned a number of cases to Planning and Development Control Committee to refuse planning permission where the agreement remains unsigned after considerable time. Progress is being made to reduce the backlog.

- 3.15 In addition, the delegated powers of the Head of Planning have been extended so that not all applications that are subject to Section 106s have to be reported to Planning and Development Control Committee. If the Section 106 Agreement only refers to the provision of play equipment or public open space, that application need not be reported to Planning and Development Control Committee. This has improved the performance of the Planning Service against the national indicators that monitor the speed of decision making.
- 3.16 Recommendation 3.29 required that all Members and Town and Community Councils were provided with training on Section 106 Agreements. County Councillors were provided with an overview of Section 106 Agreements during their Phase 2 training on planning. Town and Community Councils were provided with this at the County Forum. Further training on this matter will be provided at the forthcoming Town and Community Council Focus Group.
- 3.17 Regarding work of a wider nature, the County Council needs to be prepared for the introduction of the Community Infrastructure Levy in 2015. To this end, the Council has partnered with the other North Wales Authorities to fund a shared post to generate a consistent approach to CIL across the region. The post will also ensure that Section 106s are being used effectively. This was the subject of recommendation 3.32.
- 3.18 Following receipt of the audit report's recommendations, the process of how and who handled Section 106s was reviewed (recommendation 3.33). This work has also helped to address recommendation 3.66 which sought to establish a clear audit and referencing system for Section 106. This is now in place and is used as part of the geographical audits, referenced above. Personal responsibilities and roles in the process are now clearly defined. Progress is monitored by the established Section 106 group which meets regularly to clarify issues and progress of unsigned agreements (recommendation 3.35).
- 3.19 Whilst the above demonstrates progress that has been made against the significant risks identified in the audit report, the revision of the overarching Local Planning Guidance on development contributions (currently LPG 22) has yet to be brought to Planning Strategy. This revised LPG, which is still in draft form, will seek to address

recommendations 3.27, 3.28, 3.44, 3.50 and 3.68.

The lack of a revised LPG has meant that we have had to rely on the original which does not conflict with the direction of the audit report's recommendations, but needs to be amended to pick up the wider desires of the report (for example – clarifying the role of Members, recommendation 3.27).

The Service has prioritised the other recommendations addressed above as they were seen to be of immediate concern to staff, Members and the development community. The changing position in relation to Community Infrastructure Levy (CIL), for a time questioned the value of reviewing LPG 22, given that CIL will ultimately replace Section 106s. Now that CIL has been delayed until at least April 2015, there is real value in bringing forward the revised LPG 22, and this is one of a number of LPGs due to be considered at the Planning Strategy Group meeting in October 2013. This version will be drafted with the assistance of the officer who is working on Section 106 / CIL issues for all North Wales authorities, thereby satisfying recommendation 3.7.

4.00 RECOMMENDATIONS

4.01 That the content of the report is noted.

5.00 FINANCIAL IMPLICATIONS

5.01 All Section 106 payments now individually tracked and monitored.

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 Further consultation required on the developer contribution Local Planning Guidance Note and at all stages of the Local Development Plan.

11.00 CONSULTATION UNDERTAKEN

11.01 Consultation undertaken on LPG 23, with Town and Community Councils and with Planning Strategy Group.

12.00 APPENDICES

12.01 One – significant risks identified in the Section 106 Audit Report 2011,

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

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**Significant Risks Regarding Section 106 Agreements
as identified in February 2011 Audit**

Para ref	Recommendation	Categorisation
3.7	Planning officers in liaison with legal services should consider the implications to the Council of the Community Infrastructure Levy and the impact on s106 policy. There should be a clear interpretation of policy and law to enable officers to apply a consistent approach which maximises contributions in line with the legislation.	Significant
3.13	The development of a community 'priority list' created by Members in association with Town and Community Councils and officers should be considered.	Significant
3.21	Further development of the pre-application process including a formalised pre-application policy which requires applicants to submit a Heads of Terms with their application which includes designing a standard Heads of Terms template.	Significant
3.22	The Authority should develop a range of model clauses for s106 agreements and publish these with planning obligation policy on the Council Website.	Significant
3.23	To ensure that administrative delays are minimised Legal Services and Planning should improve processes from the point of committee approval of an application subject to completion of a s106 through to the point of issue of the decision notice.	Significant
3.26	The Authority should consider specifying in policy guidance and in planning committee reports that any s106 unsigned one year following the conditional approval by Planning Committee should be returned to Committee and be judged against the planning policies and supplementary guidance in force at that time.	Significant
3.27	A protocol on the role of Members should be developed to guide how they should be involved in s106 agreements.	Significant
3.28	A community engagement policy should be developed to include how the community and general public can be consulted and informed of s106.	Significant
3.29	Training should be offered to all Members on s106 and this should be extended to Town and Community Councillors.	Significant
3.33	There should be clear assignment of responsibility for each aspect of s106.	Significant

APPENDIX 1

Para ref	Recommendation	Categorisation
3.44	Local Planning Guidance Notes relating to s106 should be updated. Consideration should be given to preparing an over-arching planning obligations policy which includes the Authority's approach to viability analysis. Members should be involved and consulted in the policy design process and there should be early engagement of developers and stakeholders, such as Town and Community Councils.	Significant
3.50	LPG 13 needs to be updated to ensure that it meets the current requirements of the Authority and supports the delivery of the Play Strategy.	Significant
3.51	There should be consistent application of the thresholds in LPG 13 to ensure that the Authority is not missing out on contributions.	Significant
3.57	The Education LPG should be taken forward as a matter of priority and approved as an interim policy statement. Members should be involved and consulted in the policy design process.	Significant
3.66	A clear audit trail should be established across the Authority for s106 agreements which ensure consistent referencing and description to allow easy tracing of all transactions. A single reference number should be allocated and used by all departments.	Significant
3.67	Regular monitoring reports should be compiled which show what agreements have been signed, the progress of negotiating outstanding agreements and information on how signed agreements are being implemented. This will give confidence to all councillors and the community that their interests are being served and the benefits delivered.	Significant
3.68	There should be full and regular accounts of the receipt and spending of section 106 monies reported to senior officers and Planning committee members and available to all other local councillors.	Significant

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 25 SEPTEMBER 2013**

REPORT BY: **CHIEF EXECUTIVE**

SUBJECT: **RISK MANAGEMENT**

1.00 **PURPOSE OF REPORT**

1.01 To respond to the findings of the Risk Management Audit report and assure members of the robustness of the Council's risk management arrangements.

2.00 **BACKGROUND**

2.01 The Council's risk management arrangements are reviewed annually as part of the Internal Audit work programme. The focus of the work this year was our arrangements for risk assessment and mitigation.

3.00 **CONSIDERATIONS**

3.01 The recent Internal Audit report on risk management determined the following recommendations:

- Fundamental – nil
- Significant – five
- Merits attention - five

This report addresses the findings of the five significant recommendations which focus on the following areas:

- Use of an improved template for capturing details of risks for both our Improvement priorities and within service plans
- Partnership risks
- Project risks

The 'merits attention' findings are largely technical in nature and have either been completed or are near completion.

3.02 **Template for capturing risks**

The Council has, for a number of years been using the SARC (Strategic Assessment of Risks and Challenges) template to capture and report on risks. This has been a useful tool to identify and capture risks but it was not directly linked to the Council's priorities, nor did it fully describe the

levels of gross and net risk. The Council was however using a different risk management template to record operational risks within service plans and this template was found to reflect best practice. Appendix 1 provides an example of this template.

The Council adopted the Improvement Plan for 2013/14 on 25 June 2013. The adoption of the plan and its priorities has provided us with the opportunity to realign our strategic risks to these priorities and sub priorities. The best practice 'operational risk' template is now being used to capture these risks and all the Councils' risks in relation to achievement of the in-year priorities will be reported to Cabinet and appropriate Overview and Scrutiny Committees in October.

The new approach for performance reporting approach is more streamlined and will remove some of the duplication experienced with the previous approach, e.g. separate Improvement Plan and SARC reporting.

3.03 **Partnership risk management**

The Council has many different types of partnership arrangements to which risk management needs to be applied but the two main ones are:

- Strategic partnerships
- Collaborative partnerships

Our strategic partnerships related to the Local Service Board e.g. Health, Social Care and Wellbeing Partnership and Children and Young People's Partnerships review their risks on a regular basis and the 'operational template' referred to above has been adjusted slightly to reflect partnership working and is starting to be used.

Other partnerships result from collaborative activity. Flintshire is committed to working in collaboration on a number of projects and service areas not only with local authorities but across all public sector organisations. There are a number of significant collaboration projects underway in the region, for example:

- residual waste
- food waste
- school improvement
- transport
- social services commissioning
- planning (minerals and waste)
- ICT infrastructure

The report to Audit Committee in June this year detailed the governance arrangements for these collaborative projects and it is important that where the Council is leading on projects that a consistent approach to risk management is undertaken.

The Council's set of partnership registers is to be updated periodically;

sample audits of arrangements may then be undertaken to review consistency in application and governance.

3.04 Project management

Many of the collaborations mentioned above start out as ‘projects’ and the importance of using a consistent risk management approach to help guide and assure the project before it reaches implementation stage and becomes a collaboration partnership is a valuable discipline.

The Council has adopted a project management methodology which includes a consistent approach to risk management. Some of these projects are captured on the Council’s electronic project management system; others maintain a separate system. What remains important however is that all projects identify, review and address risks. The Council’s good practice template is to be used for capturing risks which are then reported up through the governance arrangements for each project.

3.05 The Council’s Risk Management Strategy has been updated to reflect the findings of the audit. This is attached as Appendix 2.

4.00 RECOMMENDATIONS

4.01 Members note the responses to the Internal Audit report findings and are assured that the responses reflect robust assurance of the Council’s risk management arrangements.

5.00 FINANCIAL IMPLICATIONS

5.01 There are no specific financial implications for this report, although individual risks identified may be financial in nature.

6.00 ANTI POVERTY IMPACT

6.01 There are no specific anti poverty implications for this report, although individual risks identified may relate to poverty.

7.00 ENVIRONMENTAL IMPACT

7.01 There are no specific environmental implications for this report, although individual risks identified may be environmental in nature.

8.00 EQUALITIES IMPACT

8.01 There are no equalities implications for this report, although individual risks identified may relate to equalities issues.

9.00 PERSONNEL IMPLICATIONS

9.01 There are no personnel implications for this report, although individual risks identified may relate to personnel issues.

10.00 CONSULTATION REQUIRED

10.01 Members will be supported through the new performance reporting arrangements which include the approach to risk management reporting.

11.00 CONSULTATION UNDERTAKEN

11.01 Corporate Management Team and the Performance Leads from across the Authority have contributed to help shape the new approach to performance reporting including risk management.

12.00 APPENDICES

12.01 Appendix 1 – Risk Management Strategy

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

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FLINTSHIRE COUNTY COUNCIL

RISK MANAGEMENT STRATEGY

VERSION 3.0

MANAGING RISK CORPORATELY

REVISED SEPTEMBER 2013

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1.0 **INTRODUCTION**

1.1 By definition, Risk Management is:

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

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

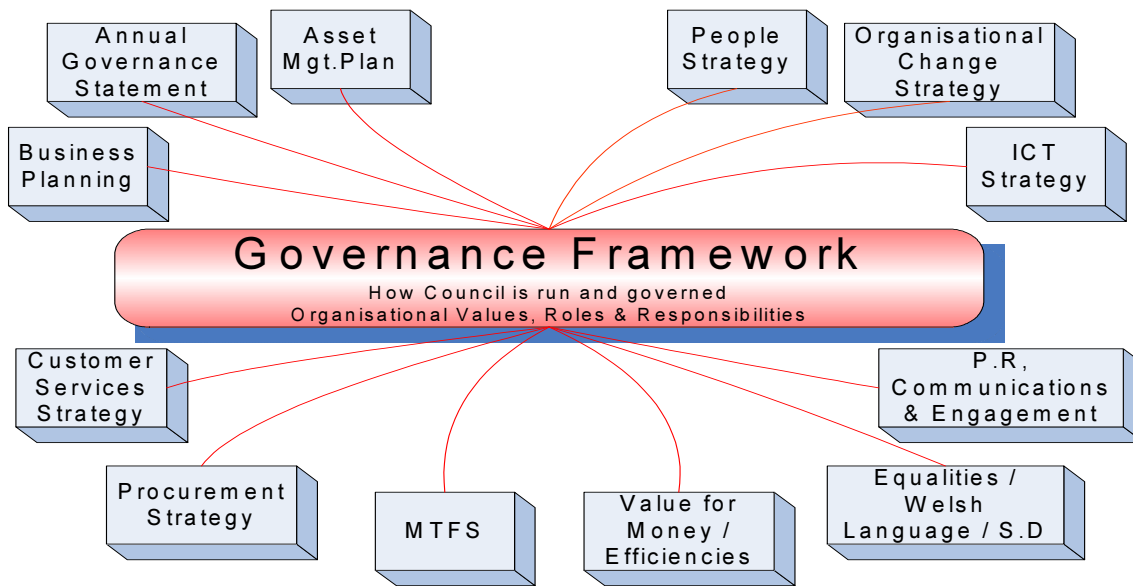
1.2 Not all risk can be eliminated but it is vital that risks are recognized and recorded and that their potential to cause loss is fully understood, some risks are external to us, e.g. The impact of other partners' actions or Governing bodies. Based on this information, action can be taken to direct appropriate levels of resource at controlling the risk or minimising the effect of potential loss.

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

2.0 **RISK AS PART OF THE GOVERNANCE FRAMEWORK**

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

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



2.3 Risk management is part of the Council's system of internal control assisting in the management and achievement of its business objectives and priorities.

3.0 **WHY MANAGE RISKS – THE BENEFITS**

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

3.2 Benefits of managing risk effectively are both tangible and intangible:

- Improved customer service.
- Prioritisation of resources
- Effective performance and achievement of objectives.
- Enhanced reputation and public confidence.
- Improved corporate governance and control systems.
- Improved business planning.
- Improved strategic management.
- Improved operational management.
- Improved financial management.

- Increased support and justification for the decision making process

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

4.0 HOW RISK FITS – AS PART OF BUSINESS PLANNING

4.1 The Council's Improvement Plan identifies in-year priorities for focus and delivery. These priorities are referenced within annual plans e.g. (Directorate, Service, Team and individual) which are reviewed and refreshed periodically throughout the year; at least quarterly to inform on-going budget planning.

4.2 The priorities within the Improvement Plan are clearly described as are the strategic risks associated with each priority. The detail relating to each risk is described in a separate document (see Appendix A).

4.3 The Council's business planning arrangements including both planning and monitoring provides the vehicle to:

- Incorporate governance and accountability arrangements within services and functions.
- Demonstrate the relationship with other Directorate, service/function and Partnership priorities.

4.4 Predominately the focus is what needs to be achieved in-year, however plans increasingly have longer term considerations when considering financial impacts, sustainable services, business continuity and longer term performance and improvement commitments.

4.5 The core components of business planning are:

- **Customers** – Who are they and what are their expectations?
- **Priorities & Planning** – What are the priorities for the service and how will they be delivered?
- **Risk** – What are the risks to service delivery and how will these be mitigated?
- **Performance** – How has the service performed in the last year? Where should improvements be concentrated?
- **Resources and Efficiencies** – What resources are available to the service and how are these best deployed to deliver the service objectives/priorities? What efficiencies can the organisation/service deploy?

- **Regulatory Findings** – What have regulators/inspections revealed about the service and how are improvement findings to be remedied?
- **Business Continuity** – Which elements of the service are critical and must be continued in the event of an emergency?

5.0 **TYPES OF RISK**

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

The risk types are identified as:

- Strategic Risk
- Operational/Service Risk
- Business Continuity
- Project Risk
- Partnership Risk

5.2 **Strategic Risk**

Strategic Risks are those that have the potential to impact the ambitions and priorities of the Council.

The council has identified, assessed and evaluated its strategic risks and these are incorporated within the Improvement priorities for the Council. Although terms which have been used in the past are not now specifically referred to they still remain important in assisting the Council to define and detail the priorities for change and improvement.

Community Leadership – critical local issues which cannot be solely delivered by the Council (e.g. Economic Regeneration, the Relationship with Local Health Board and the impact on Primary and Public Health)

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

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

5.3 As part of the Improvement Plan monitoring arrangements all strategic risks are reviewed at least quarterly to reflect changing circumstances, taking into account:

- Progress Mitigation
- RAG Status (gross, net and target)
- Emerging new risks
- External threats and opportunities
- Changing circumstances

5.4 A sample of a strategic risk template related to the Improvement Plan is attached as Appendix A.

5.5 **Operational/Service Risk**

5.6 These are risks that affect the successful delivery of individual service objectives that are not described as 'in-year' priorities for the Council. They are in effect 'business as usual' priorities and can include for example; malfunctioning equipment, hazards to service users, the general public or employees, damage to property etc. Operational risk also includes insurance claims and higher insurance premiums.

5.7 Operational risks are to be identified in Service Plans and monitored by Head of Service/Service manager. The Operational Risk template remains unchanged as it has been noted as an industry standard model of good practice.

5.8 Not all risks are insurable and for some the premiums may not be cost-effective. Even where insurance is available, money may not be an adequate recompense. The emphasis should always be on eliminating or minimising risk, before costly steps to transfer risk to another party (insurance) are considered.

5.9 Risk is not restricted to potential threats but can be connected with opportunities. Good Risk Management can facilitate proactive, rather than merely defensive, responses. These can be on a strategic or operational basis.

5.10 It should be noted that some risk is unavoidable and it is not within the ability of the organisation to completely mitigate it – for example a risk arising from the actions of other agencies or weather events. In such cases the organisation needs to make contingency plans for business continuity.

5.11 **Business Continuity**

5.12 The Civil Contingencies Act requires Category 1 responders, to maintain plans to ensure that they can continue to perform their functions in the event of an emergency. Flintshire County Council is a category 1 responder.

- 5.13 Business Continuity Management (BCM) is a planned process aimed at managing the many varied operational risks inherent in the day to day activities involved in the delivery of service.
- 5.14 The Council has identified 23 Mission Critical services and plans are in place to ensure these services can still be delivered in the event of an emergency.
- 5.15 A Corporate Business Continuity Plan provides an overall framework within which the Mission Critical Plans operate. These Mission Critical plans have been developed to complement the overall risk arrangements, help maintain critical services during and after any major emergency and promote recovery. Overall strategic responsibility for ensuring that services are maintained is the responsibility of the Council's Corporate Management Team.
- 5.16 Continuity risks that are identified in risk assessments should be, if appropriate, incorporated into relevant Business Continuity Plans and should be managed within the risk management process.
- 5.17 The Business Continuity programme includes periodic testing and revision of the Corporate Business Continuity Plan and/or the Mission Critical plans on an annual basis. When any of the plans are invoked; for example during severe weather, debriefs to determine lessons learned and plan revisions are held as good practice.
- 5.18 **Project Risk**
- 5.19 Some amount of risk taking is inevitable if a project is to achieve its objectives. The aim is to manage that exposure by taking action to keep exposure to an acceptable level in a cost effective way.
- 5.20 All projects are subject to constant change in the business and wider environment. The risk environment is constantly changing too. The project's priorities and relative importance of risks will shift and change. Assumptions about risk are to be regularly revisited and reconsidered, for example at each milestone/phase.
- 5.20 The Council has adopted a standard project management approach. This approach incorporates the identification and monitoring of risk.

The Project Manager is responsible for ensuring that risks are identified, recorded and regularly reviewed and should modify plans to include agreed actions to avoid or reduce the impact of risk. Risk is reported to the Project Board who in turn present this information to CMT, Programme Board (by exception) or Cabinet as appropriate.

5.21 **Partnership Risk**

- 5.22 The Council has many different types of partnership arrangements to which risk management needs to be applied but the two main ones are:

- Strategic partnerships
- Collaborative partnerships

- 5.23 Our **strategic partnerships** related to the Local Service Board e.g. Health, Social Care and Wellbeing Partnership and Children and Young People's Partnerships review their risks on a regular basis and the 'strategic template' referred to above has been adjusted slightly to reflect partnership working. A Governance Framework for Strategic Partnerships has been developed which incorporates a risk review which is reported at least annually to the Local Service Board.
- 5.24 Partnership boards or alternative governance structures ensure that effective risk assessment is undertaken in all key decision making processes, and where necessary, the partnership implements risk management plans to alleviate these identified risks, setting clear deadlines and allocating responsible individuals for particular tasks.
- 5.25 Other partnerships result from **collaborative activity**. Flintshire is committed to working in collaboration on a number of projects and service areas not only with local authorities but across all public sector organisations.

There are a number of significant collaboration projects underway in the region, for example:

- residual waste
- food waste
- school improvement
- transport
- social services commissioning
- planning (minerals and waste)
- ICT infrastructure

A report to the Audit Committee in June 2013 detailed the governance arrangements for these collaborative projects and it is important that where the Council is leading on projects that a consistent approach to risk management is undertaken.

6.0 THE RISK PROCESS

- 6.1 Likelihood and Impact are the two considerations which are used to identify 'level' of risk. A 3x3 matrix is used to plot the likelihood score against the impact score to provide a 'level' of risk. The matrix has nine bandings ranging from high (red), medium (amber) low (green). The Likelihood and Impact Matrix is shown overleaf.
- 6.2 Where likelihood and impact cross determines the risk level. For example a risk assessed as high likelihood and high impact equates to a high (red) risk denoting that this is the highest ranked risk that the Council can have. A risk assessed as medium likelihood and low impact equates to a green (low) risk etc.

- 6.3 To identify changes in risk status between reporting periods “arrows” are used. Increased or increasing risks are denoted by an upward facing arrow. Increasing risks are identified when mitigating actions have not been completed to timescale and/or the predictive amber/green RAG status has not been achieved by the notified date or a change in risk circumstance has occurred since the last reporting date.
- 6.4 Conversely decreasing risks are denoted by a downward facing arrow. Decreasing risks are identified when mitigating actions have been completed in advance or to timescale and/or the predictive amber/green RAG status has been achieved ahead of schedule or on time or an external circumstance has occurred which has decreased the risk.
- 6.5 No change in the overall RAG status is denoted by a horizontal arrow. No change risks are identified when mitigating actions are being progressed but no change has been effected to the overall risk.
- 6.6 Not all risks can be mitigated to a low (green) level and may be tolerated at a medium (amber) level. The predictive or target status on the template will indicate this with an explanation.
- 6.7 Criteria for assessing likelihood and impact are included to help promote consistent risk evaluation across the Council (Appendix B).
- 6.8 A checklist for identification is also included which gives categories of possible risks along with examples, it should however be noted that this list is not exhaustive and should be used to promote discussion and to aid risk identification. (Appendix C).
- 6.9 Most risks cannot be eliminated altogether and risk management involves making judgements about what level of risk is acceptable. There are four categories of response to risks – treat, tolerate, transfer, terminate – known as the Four T’s.

Likelihood and Impact Matrix

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

Change in risk status



Increasing Risk - mitigating actions have not been completed to timescale and/or the predictive amber/green RAG status has not been achieved by the notified date, or an increased risk as a result of a change in risk circumstance.



No Change – mitigating actions are being progressed but no change has been effected to the overall risk.



Decreasing Risk - mitigating actions have been completed in advance or to timescale and/or the predictive amber/green RAG status has been achieved, or a decreased risk as a result of a change in risk circumstance.

7.0 **ACCOUNTABILITY FOR RISK**

7.1 The basic requirements of a Risk Management structure are:

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

7.2 **Corporate Management Team** is responsible for:

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

- Assessing significant levels of Project risks

7.3 Role of Elected Members

Audit Committee is responsible for:

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

Scrutiny Committees are responsible for:

- Challenging the detail of individual risks related to priorities or service/functions.

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

Specific responsibilities are:

- Implementation of Risk Management Strategy and related policies.
- Ensuring that continuous risk identification and assessment takes place and that action plans are developed, implemented and subjected to regular monitoring and review.
- Ensuring that all risks are updated in line with the Council's business planning arrangements.

7.5 Service Managers are responsible for:

- Assisting Heads of Service to inform and complete relevant risks.
- Sharing relevant information with colleagues in other service areas.
- Providing feedback on their experience of strategy implementation and perceptions of strategy effectiveness to the departmental management team.

7.6 All staff have a responsibility to:

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

8.0 INTERNAL AUDIT

8.1 It is the responsibility of Internal Audit to:

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

9.0 IMPROVEMENT FUND

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

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

- The initiative should raise the awareness of Risk Management

and/or

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

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

STRATEGIC RISK TEMPLATE EXAMPLE

IMPROVEMENT PRIORITY: SKILLS AND LEARNING

IMPROVEMENT SUB PRIORITY: MODERNISED AND HIGH PERFORMING EDUCATION

RISK - Ensuring that schools work together effectively to share and develop best practice

Gross Score (as if there are no measures in place to control the risk)			Current Actions / Arrangements in place to control the risk	Net Score (as it is now)			Future Actions and / or Arrangement to control the risk	Manager Responsible	Risk Trend	Target Score (when all actions are completed / satisfactory arrangements in place)		
Likelihood	Impact	Gross Score		Likelihood	Impact	Gross Score				Likelihood	Impact	Gross Score
(L)	(I)	(LxI)		(L)	(I)	(LxI)			(L)	(I)	(LxI)	
A	R	R	Headteacher Federations for both Primary and Secondary phases established. History of effective collaborative work organised by officers from the Flintshire School Improvement Service, e.g. Foundation Phase, Secondary Forums, Consortium groups. Steering Group for Collaborative Working has been formed, including school representation from Primary and Secondary phases.	A	A	A	Steering Group for Collaborative Working has begun building on existing forums for sharing of good practice at Primary, Secondary and across phases. Revised groups will meet from the Autumn Term onwards. With the move towards more school autonomy and responsibility for school effectiveness, schools are being encouraged to take more responsibility for collaborative working.	Inclusion – Jeanette Rock Primary – Claire Homard Secondary – Kevin Grandfield ICT – Andy Wood Governance – Kim Brookes	↔	G	G	G

RISK CRITERIA

Criteria for assessing likelihood

Likelihood

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

Criteria for assessing Impact

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

**Appendix C
Checklist for Risk Identification**

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

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 25 SEPTEMBER 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **RISK MANAGEMENT REPORT**

1.00 PURPOSE OF REPORT

1.01 To present the Internal Audit report on Risk Management to the committee.

2.00 BACKGROUND

2.01 Each year Internal Audit is required to give an opinion on the adequacy and effectiveness of Risk Management in the Annual Report. That report, presented to the committee in June, confirmed the adequacy and effectiveness and stated that the council is making progress in embedding risk management but that there was a need to refresh the way risk is reported.

2.02 That opinion was based on the findings of our review of risk management. The final report has now been issued. It is brought to the committee because of its importance in the annual audit opinion and because of the role of the committee in respect of risk management. The report is attached, Appendix A.

2.03 The length of time spent in agreeing and finalising the report has meant that management were able to use the findings in their updates of the Improvement Plan and Risk Management Strategy. These are presented to this meeting.

CONSIDERATIONS

3.01 In 2011/12 an advisory report on the key components of risk management identified that risk assessment and risk mitigation were the areas that needed development within Flintshire. This review concentrated on those areas to evaluate the extent to which Risk Management identifies and evaluates risks faced by the council and establishes effective mitigation actions.

3.02 The review concludes that the Risk Management Strategy had been updated to cover all key components of risk management. However the SARC had a number of weaknesses as a corporate risk register. It recommended that the format of the SARC should be refreshed and that Council objectives should be noted against strategic risks.

3.03 The review also identified partnership working and project working as areas where risk management could be improved.

3.04 All recommendations were agreed by management, with early implementation dates for the significant recommendations.

4.00 RECOMMENDATIONS

4.01 Members are requested to note 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

Risk Management internal audit report

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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Flintshire County Council

Risk Management

Internal Audit Report
August 2013

FINAL

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Debrief meeting	16 th April 2013	Auditors	Flintshire Internal Audit
Draft report issued	29 th April 2013		
Responses received	17 th July 2013		
Final report issued	7 th August 2013	Client sponsor	Chief Executive
		Distribution	Policy and Performance Manager Risk Manager Head of ICT and Customer Services

1 EXECUTIVE SUMMARY

This report covers the Risk Management review carried out between January and March 2013. This was approved as part of the Internal Audit plan for 2012/13 as a healthcheck review to follow up the lowest classified areas of the 2011/12 risk maturity advisory review.

Risk management is an integral part of good governance and is a process whereby:

- there is shared awareness and understanding within the Council of the nature and extent of the risks it faces; and
- there is regular and ongoing monitoring and reporting of risk, including early warning mechanisms.

The process should be ongoing, embedded in the culture of the Council and drive performance improvement. It is not about eliminating risk but about understanding risk and managing it more effectively. Each organisation must decide what benefits it would like as a result of its risk management programme and plan its approach accordingly. Through effective risk management, the Council will be able to deliver:

- an appropriate balance between risk and control;
- more effective decision making;
- better use of limited resources; and
- more innovation.

1.1 BACKGROUND – THE 2011/12 RISK MATURITY REVIEW

In 2011/12 we carried out an advisory review of Risk Maturity by assessing the following key components of risk management:

- Governance
- Risk Identification
- Risk Assessment
- Risk Mitigation
- Assurance
- Monitoring and Reporting

The advisory review concluded that the Council has a real opportunity to enhance the existing processes in place for risk management but needed to revisit the SARC to better align strategic objectives and improve version control. Risk Assessment and Risk Mitigation were the weakest areas with regard to risk maturity.

1.2 INTRODUCTION

The audit has assessed the extent to which Risk Management identifies and evaluates risks faced by the council and establishes effective mitigation actions including the following areas:

1. RISK ASSESSMENT - Risk scoring methodology is defined and applied and risks are effectively assessed using the corporate framework for the following risk types:
 - Strategic Assessment of Risks and Challenges (SARC)
 - Operational risks – through service plans
 - Project Risks - through the Project Management System
 - Partnership risks
2. RISK MITIGATION - Efficient and effective mitigations are established and are achieving required outcomes.

1.3 CONCLUSION – The council is making progress with embedding risk management at the council. The Risk Management Strategy has been updated and the strategy covers risk appetite and all key components of risk management.

The current risk assessment and mitigation template proposed for operational risk assessment in the Risk Management strategy represents good practice and is applied by a number of other councils in assessing strategic and other risk types. The SARC still has a number of weaknesses as a corporate risk register. We recommend at the next SARC refresh the format is converted into the best practice template provided for operational risk assessment which will highlight the gaps we have identified in this report and mandate effective completion of risk assessment, and mitigation information including better evidencing inherent, residual and target risk classifications.

In the medium term the council should establish a risk management database linked to the intranet that removes the current time consuming SARC spreadsheet update process which is clearly leading to validation issues. The PP&P section have confirmed a request has been submitted to ICT and this is under development. The same best practice template for risk assessment and mitigation should be used for operational, strategic, partnership and project risks.

The Council should now implement actions to further embed risk management throughout the organisation and ensure consistently high quality of risk assessment and mitigation for all sources of risks be they strategic, partnership, project or operational. In order to achieve this, the council needs to review how it can mandate risk management for all significant partnerships and projects, and also how all significant partnerships can be mapped into one corporate register.

To further embed risk management at the service and operational level, those service plans assessed by PP&P as having weak or no risk management information should be required to revisit risk management, potentially by sharing good practice examples identified elsewhere in the council.

Until effective risk assessment and mitigation is consistently applied and embedded across strategic risks, operational risks, partnerships and projects these two components of risk maturity will continue to need improvement.

1.4 APPROACH TO REVIEW

The following areas were considered as part of this review:

- Risk Assessment
The likelihood and impact of risk is assessed to prioritise the risks facing the organisation
- Risk Mitigation
Understanding and analysing the impact of implementation of controls and other risk mitigation activity

Sources of strategic, operational, partnership and projects risks were reviewed on a sample basis to review risk assessment and risk mitigation.

The audit planning meeting also identified that officers were concerned that the quality of risk assessment and mitigation is variable between Directorates. To ensure this was covered as part of the audit a sample of Directorate service plans were reviewed as part of the audit.

Limitations to the scope of the audit:

This audit excludes the following four components of risk maturity:

1. Governance
Establishment of a defined approach that ensures risk management can be used to inform business planning and support business decisions.
2. Risk Identification

Identifying the risks facing the organisation, the causes of those risks and consequences should those risks occur.

3. Assurance

Directing assurance to provide comfort on how well risks are being managed.

4. Monitoring and Reporting

Reporting of risk management to support decision making

In addition, Business Continuity was excluded from this review as it has been the subject of a separate audit.

1.4 RECOMMENDATIONS SUMMARY

The following table highlights the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

	Fundamental	Significant	Merits Attention	Total
RISK ASSESSMENT AND MITIGATION	0	6	6	12
TOTAL	0	6	6	12

2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
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.
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
Risk Assessment - The likelihood and impact of risk is assessed to prioritise the risks facing the organisation.						
Risk Mitigation - Understanding and analysing the impact and of implementation of controls and other risk mitigation activity.						
1.05	The current risk assessment and mitigation template proposed for operational risks in the Risk Management strategy represents good practice and is applied by many councils in assessing strategic and other risk types. There are a number of shortcomings with the current format of the SARC as indicated in our report. We recommend at the next SARC refresh the format is converted into the best practice template provided for operational risks which will highlight the gaps we have identified and mandate effective completion of risk assessment, and mitigation information including better evidencing inherent, residual and target risk classifications. In the medium term the council should establish a risk management database linked to the intranet that removes the	Significant	Yes	1.05i) During the recent business planning refresh, the strategic risks have been aligned to the improvement priorities of the Council and are captured in the high level Improvement Plan. ii)The detailed risks (work in progress) will be in a format similar to the best practice Operational Template and presented to Cabinet in October. This is consistent with Directorate and Service	1.05i) Completed ii)October 2013	KA

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.01	<p>current time consuming SARC spreadsheet update process which is clearly leading to validation issues. The PP&P section have confirmed a request has been submitted to ICT and this is currently being developed.</p> <p>The same template for risk assessment and mitigation should be used for operational, strategic, partnership and project risks.</p>	Merits Attention	Yes	<p>Planning</p> <p>iii) ICT to restart "Sprint" exercise to develop database for capturing risks aligned to priorities and performance.</p> <p>1.01. The same template is being used in projects and has been adapted to be suitable for partnerships</p>	<p>iii) First stage of development – October 2013</p> <p>1.01 Completed</p>	KA/CG
1.01	At the next refresh of the risk management strategy residual, inherent and target risk should be clearly defined. The Gross and Net risk sections of the operational risk template should be better explained in the Risk Management strategy so officers will understand that they are identifying inherent and residual risks when determining Gross and Net risk.	Merits Attention	Yes	This is a technical/definition issue. Inherent/residual gross/net mean the same thing; however the Risk Management Strategy will be revisited to clarify the definitions.	1.01 September 2013	KA
1.04	Council objectives should be noted against strategic risks within the SARC, rather than in the Annual Performance Report. This is necessary to enable users of the SARC document to understand clearly how each SARC risk relates to a corporate objective/priority, and how these corporate risks are being managed or mitigated thereby enabling these corporate objectives/priorities to be met.	Significant	Yes	Response as in 1.05	Completed	

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.04	The current 'objectives' included against each strategic risk in the SARC should be renamed to avoid confusion with corporate or directorate objectives to a user of the document.	Merits Attention	Yes	This is now obsolete as the Council has 'refreshed' it's objectives/priorities.	Completed	
1.06	Partnership registers should be compiled that completely and accurately captures all significant regional, sub-regional and local partnerships in which the council participates.	Significant	Yes	The partnership register set needs to be better maintained to ensure currency and integrity of data. They will be subject to periodic revision.	December 2013	KA
1.06	Formal risk management as defined by the risk management strategy should be applied to all significant regional, sub-regional and local partnerships where FCC is the lead authority.	Significant	Yes	There is a formalised structure and periodic reporting, but application is not consistent and improvements are needed in some areas. This applies to all significant partnerships, including those where we are the 'lead' authority.	December 2013	CE / KA
1.06	Training in risk management should be provided to current partnership lead officers.	Merits Attention	Yes	Already in place	In progress	KA
1.07	Robust risk management should be applied to all medium and large scale projects with evidence retained in the PMS.	Significant	Yes in part	Agreed that robust risk management should be applied to all projects, but some of these may be manual and not on the electronic PMS system.	Ongoing	KA / Project Managers

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.07	There should be a review of the projects in the PMS periodically to challenge instances where it is identified that PMS risk management templates are not being used.	Merits Attention	Yes	See above		
1.08	The operational risk assessment template included in Appendix B of the Risk Management Strategy is a best practice template and service managers should be required to use this approach to manage risks and evidence this by including the completed template in the service plan PP&P should review draft service plans and challenge those where risk management information is either inadequate or non-existent	Significant	Yes	Refer to 1.05ii)	September 2013	KA / Heads of Service
1.08	All service managers should be asked to evidence that Data Protection issues have been included in operational risk assessments	Merits Attention	Yes	To be included in ongoing refresh of Service Plan guidance	February 2014	KA

FINDINGS AND RECOMMENDATIONS

1. RISK ASSESSMENT - *The likelihood and impact of risk is assessed to prioritise the risks facing the organisation.*

RISK MITIGATION - *Understanding and analysing the impact and of implementation of controls and other risk mitigation activity*

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>1.01 General Risk Assessment and Mitigation</p> <p>The risk management strategy (update September 2012) provides the framework for risk management and how to assess and mitigate risks, including the templates to be used. However, there are two different templates proposed within the appendices of the strategy itself - one for Strategic (SARC) risks, and a recent template for operational risks. The SARC template and general risk guidance in the strategy contains no reference to residual and inherent risk and there is no guidance therefore as to how to identify initially the inherent risk through use of the risk matrix, and then current internal controls that help mitigate inherent risk to a residual risk level. This should be addressed, particularly as the recent template for operational risk management included in the appendices to the strategy contains references to gross risk, net risk (equivalent to inherent and residual risk respectively) and target risk (which should be the risk after mitigation action has been implemented in full and outcomes achieved). Service plans, Partnerships and Projects all use different templates.</p> <p>Conclusion</p> <p>The framework for risk management set out in the risk management strategy is not applied consistently across SARC, operational, partnership and project risk management. In any event two different approaches are now proposed in the risk management strategy depending on whether the risk is operational or strategic.</p> <p>1.02 Risk Appetite</p> <p>IRM defines risk appetite as 'The amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives.'The fact that not all risk can be eliminated or reduced to GREEN is noted in the latest Risk Management strategy:</p>	<p>At the next refresh of the risk management strategy residual, inherent and target risk should be clearly defined. The Gross and Net risk sections of the operational risk template should be better explained in the Risk Management strategy so officers will understand that they are identifying inherent and residual risks when determining Gross and Net risk.</p> <p>The same template for risk assessment and mitigation should be used for operational, strategic, partnership and project risks.</p>

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>1.2 Not all risk can be eliminated but it is vital that risks are recognized and recorded and that their potential to cause loss is fully understood, some risks are external to us, e.g. The impact of other partners' actions or Governing bodies. Based on this information, action can be taken to direct appropriate levels of resource at controlling the risk or minimising the effect of potential loss.</p> <p>6.6 It should be noted that not all risks can be mitigated to a low (green) level and may be tolerated at a medium (amber) level. The predictive status on the SARC template should be amended to show this and the reasoning behind this should be clearly stated.</p> <p>6.9 Most risks cannot be eliminated altogether and risk management involves making judgements about what level of risk is acceptable. There are four categories of response to risks – treat, tolerate, transfer, terminate – known as the Four T's.</p> <p>7.2 Corporate Management Team is responsible for.....Discussing the appropriate level of risk for the Council</p> <p>Review of the current SARC (Sept 2012 – final version issues Dec 18th 2012) shows that in all but one of the 49 risks, a "Green Predictive" rating is attached to each area which determines when the likelihood and impact will both be low on the matrix. Attempting to make all areas "Green" could be a lengthy process and may potentially never be realised because of the nature of the risk.</p> <p>However, there is evidence that Amber risk will be tolerated in that SARC risk CG23 'The Council being in breach of the Data Protection Act resulting in enforcement action by the Information Commissioner's office, including the imposition of financial penalties and adverse publicity.' is rated attaining AMBER in March 2013. The CMT report that considered this risk states '<i>The Council has agreed to a request from the Information Commissioner's office to undertake a voluntary audit of the Council's Data Protection compliance. This voluntary audit will take place early in 2013. When carrying out its audit the ICO would expect the risk of a Data Protection breach to feature in corporate and service risk assessments.</i>' The report then demonstrates risk appetite: 'With an organisation the size of Flintshire, with several departments routinely processing personal information, there is a need for constant vigilance and the risk will probably never be less than amber.'</p> <p>Of all the risks identified by the council covering SARC, operational, project or partnerships our sample testing identified only one example of risk appetite being applied as noted above.</p>	

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>1.03 Corporate framework for scoring risk</p> <p>We assessed whether there is a corporate framework for scoring risk with clear methodology defining impact and likelihood and how to calculate overall risk. The Council approach to scoring risk is covered Within the Risk Management Strategy including the likelihood and impact matrix. A 3x3 matrix is used although these are represented by high, medium and low rather than a multiplication of 1 by 2 or using 3.</p> <p>Where likelihood and impact cross, this determines the risk level. The criteria that had been assigned to the matrix were included in the strategy to promote consistency in risk evaluation across the council. Descriptions are provided for what each assessment would mean and examples are provided in the Appendices for SARC risks on how to assess the risk. An operational risk template is also provided in the Appendices to the strategy.</p> <p>Conclusion</p> <p>There is a corporate framework for scoring risk with clear methodology defining impact and likelihood and how to calculate overall risk.</p>	
<p>1.04 Strategic Risks (SARC) - Risk Assessment and Mitigation</p> <p>The (Strategic Assessment of Risks and Challenges) SARC is a top down assessment of strategic risk with the key risks being recorded on a standard template. The SARC provides a detailed assessment of the council's strategic risks and challenges together with mitigating action and as such represents a long term statement capturing the organisational challenges where change and improvement is required. The PPP section is responsible maintaining and also improving the SARC in liaison with the CEO, CMT and Directorate managers. This document provides an overview of the strategic risk profile of the Council. At every refresh a summary overview is provided of deletions, creations, mergers and amendments. Each quarter the SARC is completed by each Risk Title owner, this is usually the secondary owner. Each update shows progress against actions. Once updated, the risk section is forwarded to the Risk Manager for review. Each risk title is subject to review, this involves considering progress made against actions in the previous quarter and a challenge of the RAG ratings. If queries are raised / identified then the Risk Manager will initially make contact with the performance leads or secondary owners as these are the members of staff that have the greatest involvement in the ongoing</p>	

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>maintenance of the risk areas. If any issues cannot be resolved at this point then the Risk Manager can escalate the issue to the Head of the area in question.</p> <p>Monthly meetings are also held with the performance leads, these are attended by scrutiny leads. Risk management and SARC issues may be raised during these meetings. The SARC is formally issued 6 monthly and is made available on the FCC web site.</p> <p>The County through the Local Service Board has set five high level priorities which aimed to demonstrate how the county enabled economic prosperity, health and wellbeing; learning and life skills; living sustainably and safe and supportive communities. The four main directorates within the council had then developed ten council objectives which flowed through into the directorate priorities.</p> <p>Within the Annual performance report the Council priorities had been mapped to all risks and this was verified by a 100% SARC mapping check, therefore, one can conclude that SARC risks are mapped to corporate objectives in some form. However, it is a time consuming task matching all the risks listed against each objective in the annual performance report and agreeing back to the SARC to ensure all SARC risks are covered and no user of the document could be expected to carry this out just to understand what objectives a SARC risk is a barrier to achieving. This is also back to front and does not satisfy in the right way the objective that the SARC is driven by barriers to achieving corporate objectives– it should be carried out through the SARC process i.e. a risk should not be included in SARC unless it is clear its failure to mitigate would represent a barrier to delivery of one or more corporate objectives therefore that corporate objective(s) should be recorded against the SARC risk. This would enhance a user's understanding and reading of the SARC document. Further ambiguity occurs because the SARC has objectives recorded against most risk entries but these differed from the corporate objectives within the Council. Many of the objectives recorded appeared to be operational but the source or nature of the objectives is never defined.</p> <p>1.05 Sample testing of SARC risks</p> <p>The SARC was subject to review prior to the issuing of the latest version in December 2012. This process has resulted in the deletion of a number of risks that are now obsolete and new risks added. The following risks were reviewed in detail</p> <p>1.) CD08 Loss of opportunity to implement the first Housing Renewal Area for the county and to regenerate Shotton and Deeside urban areas</p>	<p>Council objectives should be noted against strategic risks within the SARC, rather than in the Annual performance Report. This is necessary to enable users of the SARC document to understand clearly how each SARC risk relates to a corporate objective/priority, and how these corporate risks are being managed or mitigated thereby enabling these corporate objectives/priorities to be met.</p> <p>The current 'objectives' included against each strategic risk in the SARC should be renamed to avoid confusion with corporate or directorate objectives to a user of the document.</p>

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>The mitigation and progress statements are as follows:</p> <p><i>a) Evaluate current methods of procurement and identify any areas where increased value for money can be obtained e.g. maximum use of both local labour and supply chains, provision for local apprenticeships - Ongoing</i> <i>b) Continue to seek opportunities for the introduction of private finance in to the scheme</i> <i>This action is partially completed with the establishment of CESP energy efficiency schemes which lever in a significant amount of private sector funding from the utility companies.</i> <i>A longer term aspiration is to introduce private finance from lending institutions, however, this relies on using the value of the Council's loan book as security and therefore this unlikely to be achieved in the near future.</i></p> <p>Currently rated a RED risk, which we assume is a combination of a RED external risk (funding issues) and an AMBER internal risk (due to mitigation actions). As a result of the above mitigation statement and progress a Green rating by 2020 is predicted. However, the facts and uncertainty and the lack of specific mitigation actions programmed to change the risk do not support a GREEN rating by 2020.</p> <p>2.) CL08 Climate Change & Flood Risk Management</p> <p>This risk covers the increased likelihood of flooding due to inability to identify and mitigate against the impacts of climate change nor reduce carbon emissions. Detailed robust mitigation action is listed including progress updates. The current risk is AMBER and GREEN predicted as 'unable to be classified at present'. The external risk is classified as RED and internal as AMBER, and overall risk as AMBER. It is not clear how internal and external risk is weighted to produce an overall risk classification and there is no guidance in the SARC or Risk Management strategy for risk leads to apply.</p> <p>Conclusion - good mitigation actions and detailed progress reported. This risk has been rated as an Amber risk since December 2008. This risk does not include a date for achievement of a Green risk rating and no longer term rating is provided as a target. However, assume this is because there is an external risk which is classified as RED. Overall it is not possible for the actions of Flintshire alone to reduce the overall risk to GREEN and this should be acknowledged in the risk description – the aim should be to reduce the INTERNAL risk to GREEN. Overall the risk would never get to GREEN as Flintshire alone cannot reduce the 'likelihood of flooding due to inability to identify and mitigate against the impacts of climate change nor reduce carbon emissions' and this is one example where the Risk leads should have applied Risk Appetite and acknowledged that AMBER may be the maximum the overall risk could be reduced to.</p> <p>3.) CD37 Food waste treatment project - Breakdown of Regional partnership delivering the food waste project.</p> <p>This primarily records the risks relating to the procurement of joint waste treatment not being successful and</p>	<p>There should be guidance for officers as to how to weight external and internal risk to calculate overall risk.</p> <p>(See overall recommendation below)</p> <p>Where there is no detailed and programmed mitigation action and progress for a risk a set date for a GREEN target risk rating should not be provided. Generally in the SARC the phrase 'Unable to determine at present' is included in this instances.</p> <p>(See overall recommendation below)</p> <p>Where it is not possible to mitigate a risk to 'Green' this should be identified in the SARC, clearly showing the need to tolerate an 'Amber' level of risk and therefore application of risk appetite.</p> <p>(See overall recommendation below)</p>

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>the mitigations actions and progress updates relate effectively to this and currently the risk is AMBER rated with GREEN predicted for 2016/17. The outcome of the procurement will be a food waste partnership with Denbighshire and Conwy. NB the summary SARC shows GREEN predictive September 2012 which cannot be correct as the procurement had not been finalised at that date. The detailed risk shows green predictive as at 2016/17, but the summary SARC shows green predictive September 2012. Improved validation of information presented needs to be undertaken.</p>	<p>Improved validation of information presented in the detailed and summary SARC needs to be implemented (See overall recommendation below)</p>
<p>4.) CG13 Customer Focus - The delivery of high and consistent levels of customer services</p>	
<p>This risk has amber colouring in the detailed SARC after September 2012. The AMBER status of the detailed risk description conflicts with the summary SARC statement of GREEN for this risk and this should be resolved. Mitigation actions and progress statement including outcomes are robust. However, this risk has been classified as GREEN since June 2011, but insignificant mitigation action would have been completed at that time so it not clear why the GREEN risk rating was originally applied. Review of the archived copy of the SARC risk from 2011 evidences the residual risk was classified as GREEN even though most of the mitigation actions were still to be implemented to achieve target risk:</p>	<p>For customer services risk the AMBER status of the detailed risk description conflicts with the summary SARC statement of GREEN for this risk and this should be resolved. (See overall recommendation below)</p>
<p>a.) Improvements to reception areas at County Hall, Mold. - Funding for major improvements to Entrance 3 was not secured. Minor improvements have been undertaken. The first Flintshire connects centre was not established until 2012. b.) Procurement of new telephony system to support improved customer service and flexible working – only recently implemented in 2013 c.) A web usage campaign to increase use of website and reduce face to face and telephone access, and so delivering efficiency gains – no evidence any significant channel shift had not occurred by Sept 2011 and a target of 2013 has been set to make the website the most popular access channel. d) Full implementation of comprehensive Customer Services Strategy – not completed by June 2011 and was then in early stages of implementation in full (the strategy covers much of above including channel shift). Customer Training Programme - Housing as a pilot only had been completed.</p>	<p>Where substantial mitigation actions remains outstanding the current overall risk should not be classified as GREEN risk rating achieved (See overall recommendation below)</p>
<p>Overall it is not clear that risk could be justified as GREEN from June 2011 when the mitigation action proposed covered all aspects of customer services and was implemented a significant time after June 2011 and much still remains to be implemented eg the remaining Connects centres, improvements to reception, material channel shift so that website is most popular access channel.</p>	
<p>5.) DATA PROTECTION RISK –</p>	
<p>This risk covers the Council being in breach of the Data Protection Act resulting in enforcement action by the Information Commissioner’s office, including the imposition of financial penalties and adverse publicity. The</p>	

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>mitigation actions are listed as follows with no deadlines for implementation and no progress updates against them in the progress section of the risk:</p> <ol style="list-style-type: none"> 1. That service areas regularly processing personal information have included Data Protection breach as a service risk in their service plans. 2. That staff processing personal information have received appropriate training. 3. That training is given to Members on their Data Protection responsibilities. 4. That a register is maintained of all Data Protection complaints. 5. That news items are regularly distributed on the Infonet and to Heads of Service as a reminder of the importance of complying with Data Protection. <p>Conclusions Although the mitigation actions are satisfactory and cover both members and officers responsibilities, there is no timeframe provided against any of the actions or any form of progress update in implementing the mitigation steps. Therefore, currently this risk description and mitigation action plan does not support the predictive Amber Rating for March 2013. One example is the mitigation action that 'service areas regularly processing personal information have included Data Protection breach as a service risk in their service plans.' – of the five 2012/13 service plans sampled in this internal audit, only two noted DPA risk – Leisure and Culture, and Children's Services. The service plans for Customer Services, Housing and Streetscene did not identify DPA as a potential risk, even if the actual risk was GREEN as they may have determined that personal information is not processed regularly. However, it would seem likely that Customer Services would process personal information, and Housing services.</p> <p>The SARC and the supporting report to CMT re Data Protection Risk Management 20-03-12 evidences that risk appetite has been a consideration when establishing the risk management for this risk. However, out of all the risks reviewed covering projects, partnerships, service operational risks and SARC risks, only the DPA risk evidences risk appetite consideration so the conclusion is that risk appetite review is not embedded.</p> <p>Overall Overall the SARC evidences the identification of strategic risks where the internal risks have been identified through application of the scoring matrix required by the risk management strategy (which has clearly defined definitions for impact and likelihood). However there is an issue with consistently applying risk assessment methodology and with effective mitigations including whether sufficient action has been implemented to justify risk ratings. Risk lead officers are interpreting the guidance in different ways to completing SARC risks so the risk assessment and mitigation is not consistently robust.</p>	<p>Mitigation action plans should always include progress information to underpin current risk ratings. (See overall recommendation below)</p>

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>Risk Mitigation actions are not specifically separated between existing controls and identified actions to enable the classification of inherent risk and residual risk to be clearly understood. It was generally unclear how the action plans had been developed when these controls had not been clearly identified on the SARC. Identifying actual controls in place to define inherent risk enables a focus on what the Council already has in place prior to developing any sort of action plan to reduce inherent risk to residual risk. Actual controls in place enable management to understand how the causes to the risk are already being managed before identifying any gaps that may need addressing. The current format of the SARC does not enable user of the document to determine this.</p> <p>Review of the SARC generally and detailed review of a sample of 5 risks identified that the current format of the SARC does not:</p> <ul style="list-style-type: none"> - Show which corporate objective the risk is a barrier to achieving - State clearly which is inherent risk, residual risk and target risk - Differentiate clearly between controls which are currently in place that mitigate inherent risk to residual risk, and those controls that need to be implemented to mitigate residual risk to target risk - Correctly show risk appetite – some risks cannot get to GREEN eg Climate - Show clearly how internal and external risk are weighted to give overall risk - Correctly classify a GREEN rating for some risks - Identify what the objectives relating to all SARC sub-risks actually mean – ie are they service, directorate, or risk specific objectives or are they in fact overall mitigation objectives - Clarify whether sub-risks listed under each SARC risk are weighted to provide overall risk, or individually whether some sub-risks are more important than others - Receive enough validation to ensure there are no inconsistencies between the detailed SARC risk ratings and the summary SARC analysis of risks - Always show progress against mitigation actions to support current risk ratings - Evidence that risk appetite is embedded 	<p>The current risk assessment and mitigation template proposed for operational risks in the Risk Management strategy represents good practice and is applied by many councils in assessing strategic and other sources of risk. There are a number of shortcomings with the current format of the SARC as indicated. Overall we recommend the Council at the next SARC refresh converts the entire format into the best practice template provided for operational risks which will easily highlight the gaps we have identified and mandate effective completion of risk assessment, and mitigation information including better evidencing inherent, residual and target risk classifications. In the medium term the council should establish a risk management database linked to the intranet that removes the current time consuming SARC spreadsheet update process which is clearly leading to validation issues. The PP&P section have confirmed a request has been submitted to ICT and this is currently being developed.</p>
<p>1.06 Partnerships - Risk Assessment and Mitigation</p>	

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>The partnership coordinator was asked for the corporate register of partnerships and two registers were provided - one for strategic partnerships and one for non-strategic partnerships. There is also a WLGA Regional Collaboration Compendium that identifies Flintshire Partnerships and some of these are not on any of the Strategic and Other partnership internal lists eg Telecare. The non-strategic partnership list is not updated regularly and a previous discussion with PP&P by internal audit in April 2012 identified that the focus of the Partnerships team is solely on Strategic Partnerships and not on all other regional and sub-regional partnerships. Clearly there is a need to develop a definitive list of partnerships as there are currently three different lists – one strategic, one covering all other partnerships which is out of date, and one compiled by WLGA which contains important partnerships that are not listed on the two internal partnership lists. There is no assurance that all partnerships on the internal partnership lists have been captured.</p> <p>PP&P have produced a framework approach for the self assessment of partnerships. Recently risk assessment has also been incorporated into the framework with templates provided with the aim being to embed risk assessment for all strategic partnerships. However, sample testing of five partnerships (HSCWB, CYP, Housing, Families First and Occupational Health) identified that actual risk management has yet to be applied to these significant and strategic partnerships even though some have been in existence for a number of years eg HSCWB partnership. The partnership coordinator has recently set clear action points regarding risk management for strategic partnerships with the aim being for all these partnerships to have applied risk management within the first 6 months of 2013. As at March 10th internal audit had received no evidence of formal risk management being applied to the 5 partnerships included in the sample for this audit.</p> <p>This issue has been previously identified and reported as part of a 2010/11 audit and the working paper noted the following <i>'It was noted that a Strategic Partnership Performance 'Mid Year Review Report was submitted to the Executive' in January 2011. This report included a 'Timetable for Implementation of the Strategic Partnership Governance Framework'. This report identifies dates for the implementation of Risk Registers. To ascertain if risk registers were actually in place and operating effectively, FCC representatives for each of the Strategic Partnerships were contacted by e-mail:</i></p> <ul style="list-style-type: none"> - <i>Children & Young people's Partnership;</i> - <i>Community Safety Partnership;</i> - <i>Health, Social Care and Well Being Partnership;</i> - <i>Regeneration Partnership</i> <p><i>Only one response was obtained, it was found that a risk register is not in place for the Health, Social Care and Well Being Partnership. However, it is noted in the Strategic Partnership Performance Mid Year Review Report was submitted to the</i></p>	<p>Partnership registers should be compiled at Flintshire that completely and accurately captures all significant regional, sub-regional and local partnerships the in which the council participates.</p> <p>Formal risk management as defined by the risk management strategy should be applied to all significant regional, sub-regional and local partnerships where FCC is the lead authority.</p>

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p><i>Executive in January 2011, that a risk register has been in place since July 2010.'</i></p> <p>Clearly the lack of risk management has been identified previously by PP&P and internal audit but still there is no evidence that strategic partnerships have implemented the requirement for formal risk management. In fact in response to the request for evidence of risk management in order to review risk assessment and risk mitigation one of the partnerships sampled submitted a blank risk register as evidence, and another partnership lead emailed a partnership self-assessment as evidence initially. This indicates there is a need for training in risk management for partnership leads</p>	<p>Training in risk management should be provided to current partnership lead officers.</p>
<p>1.07 Projects - Risk Assessment and Mitigation</p> <p>Overview of Project Risk management Framework</p> <p><i>ICT services provide the corporate project management system</i></p> <p>Review of the Project management toolkits and guidance identified there is a corporate Project Management System (PMS) in place, and supported by a Project Management Handbook available on the Infonet. Risk Management is adequately built in to the PMA. The completion of a risk log is required as part of the project initiation process and the maintenance of this log is deemed essential for medium and high scale projects. The guidance is based on the Prince 2 model and the consideration and management of risk is built in to the process. NB The risk management approach in the PMS does not follow the corporate approach to risk management as defined in the risk management strategy.</p> <p>Sample testing of 5 projects from the PMS covering HIGH/MEDIUM scale impact projects identified that for the Agile Working and School Modernisation projects there was no project risk log or evidence of risk management included in the project documents. For the Flintshire Connects, Transforming Transportation and P2P projects adequate evidence of risk management including risk assessment and risk mitigation as prescribed by the PMS guidance was identified.</p> <p>Therefore, although there are robust PRINCE 2 standard templates and guidance for risk management in relation to projects it is not being used, or included in the PMS, for all Medium/large scale projects.</p>	<p>There should be a review of the projects in the PMS periodically to challenge instances where it is identified PMS risk management templates are not being used.</p> <p>Robust risk management should be applied to all medium, large scale projects with evidence retained in the PMS</p>

OVERVIEW AND ASSESSMENT OF ACTUAL CONTROLS IN PLACE	RECOMMENDATION
<p>1.08 Operational Risk Assessment and Mitigation</p> <p>As part of the service planning process service managers are required to identify and monitor operational risks as detailed in the risk management strategy. The revised risk strategy contains a template in Appendix B proposed for the management of operational risks although this has not been applied as yet by services as the strategy was amended in September 2012 so it will apply to the next service planning round. However, the template is only a suggestion to 'supplement local risk registers'.</p> <p>Sample testing of service plans to review operational risks identified the following:</p> <p>Social Services for Children plan – Risk management comprises a one page cursory list of operational risks although safeguarding risks are covered by the Safeguarding Board</p> <p>Housing Services Plan – The plan contains no mention of operational risks</p> <p>Customer Services Plan – No operational risk assessment included in the service plan.</p> <p>Culture and Leisure service plan – risks are identified against service improvement areas, but no formal risk assessment is applied nor mitigation action proposed so there is no evidence that risks are being managed after initial identification</p> <p>Streetscene service plan – SARC risks and comprehensive service specific operational risks are identified with mitigating action. Further review of Environment directorate plans identified that generally this Directorate does apply effective operational risk management</p> <p>Conclusion</p> <p>There is no standard approach to the risk management of operational risks. Environment Directorate Service Plans did follow a general format and the identification of operational risks and their management were generally included.</p> <p>A detailed review of the Service Plans above showed a varied consideration of risk ranging from a well prepared and considered risk management plan for Streetscene to a cursory coverage of risk in Children's Services and Culture/Leisure, or no risk information at all for Housing and Customer Services. There is a lack of appreciation of the importance of addressing operational risks - lack of risk management can have a detrimental effect on the achievement of service plan objectives. Also of note is that the Data Protection Act inspection programmed for 2013 requires services to evidence that Data Protection issues have been included in operational risk assessments.</p>	<p>The operational risk assessment template included in Appendix B of the Risk Management Strategy is a best practice template and service managers should be required to use this approach to manage risks and evidence this by including the completed template in the service plan</p> <p>PP&P should review draft service plans and challenge those where risk management information is either inadequate or non-existent</p> <p>All service managers should be asked to evidence that Data Protection issues have been included in operational risk assessments</p>

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 25 SEPTEMBER 2013**

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 The status of all projects in the 2013/14 plan as at 1st September is shown in Appendix A. The Appendix shows the actual number of days spent on each project and the agreed timing for the individual projects where it is known.

2.02 The details of all audits added to the plan or deferred from it are given in Appendix B.

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

2.04 Tracking results.
Appendix D gives a summary of all recommendations tracked since the last committee. For recommendations not completed by the due date it also gives the view of the relevant Director or Head of Corporate Service on the acceptability of the reason for the delay and on the management of the risk that has arisen because of the delay.

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

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

3.00 **CONSIDERATIONS**

3.01 **Audit Plan and Resources**

The department has been running with a vacancy against establishment since the summer of 2012. This continues and was allowed for in the audit plan for the current year. In addition, a part-

time member of the department has been seconded to a union post for the year. This is a post funded by FCC, but it has not yet been possible to engage somebody to backfill for that person. In addition that recruitment has not yet been agreed under the new vacancy management control procedure. If that situation continues it will have an impact on the audit plan for the year. Options are being explored to reduce the audit plan if necessary.

3.02 Appendix A shows that work has commenced on the audit plan for 2013/14, with several projects started and four completed to at least draft report stage.

3.03 Changes to the plan for the year are shown in Appendix B. Two audits have been carried forward from last year, and one audit added to the plan as a result of an investigation. So far this year, no audits have been deferred from the plan.

3.03 **Final Reports**

All reports finalised since the last committee meeting are shown in Appendix C, 20 in total. Two of them included high level recommendations and details of them are given. One deals with the implementation of recommendations made by the Lean team. Lean is now being incorporated into a wider organisational change framework. The other deals with the management of Corporate Grants. Details of the main findings are given in Appendix C.

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

3.05 **Recommendation Implementation**

Appendix D shows the responses that have been received when tracking recommendations. Replies have been received for all reports.

As previously, many of the recommendations that were due to be implemented at this time are yet to be completed. The non-implemented recommendations will be tracked again at their new due date.

As previously recognised and requested by the committee there is now a more rigorous approach in tracking the recommendations by Internal Audit. For those that have not been implemented on time the relevant Director or Corporate Head of Service is required to confirm that the reason and new date are both acceptable to them and to report on how the risk is being managed before the recommendation is implemented. This ensures that they are aware of non-implementation and that they are able to take responsibility for the risk. The views of the Directors and Corporate Heads are also shown in Appendix D. Internal Audit still review the responses received to

ensure that the level of risk involved is being managed. The management comments and those of the Directors and Corporate Heads show that this is the case.

- 3.6 Internal Audit is working with the ICT department to develop an automated system for issuing reports and tracking recommendations, which will increase the administrative efficiency of the department, although it will not impact on the number of days needed to complete the audit plan. It will also enable Directors and Corporate Heads to monitor the implementation of recommendations in their areas.

3.7 Performance Indicators

Appendix E shows the range of performance indicators for the department. The PI for the issue of the draft reports continues to be affected by the need to catch up on the projects within last year's plan and the volume of reports being processed.

- 3.8 Along with the automated system the department is developing a different procedure for the production of reports designed to reduce the length of time from the completion of the audit work to the production of the final report. This will again increase the administrative efficiency of the department and will be introduced over the coming months.

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 2013/14
B Changes to the Operational Plan 2013/14
C Reports Issued
D Recommendation Implementation
E Performance Indicators
F Investigations

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

Contact Officer: David Webster
Telephone: 01352 702248
Email: david.webster@flintshire.gov.uk

CORPORATE				
Type	Audit	Plan Days	Actual Days used	Proposed start date / Status
Risk	Risk Management	10		JAN
Risk	NWRWTP	20		FEB
Risk	Theatre Clwyd	10		NOV
Reg	Performance Information	5		FEB
Other	Lean Team	5		MAR
Other	Taith	10		MAR
Advisory	Flintshire Futures	10	1	WIP
Advisory	Corporate Governance	10		DEC
Advisory	Collaborations	10		FEB
Advisory	Local Partnerships	10	2	WIP
		100	3	
FINANCE				
Risk	Medium Term Financial Strategy and Plan	5		JAN
Risk	Financial Management and Control	15		NOV
Reg	Main Accounting	30		JAN
Reg	Housing Benefit	20	3	WIP
Reg	Council Tax and NNDR	20		DEC
Other	Corporate Debt Management	15		NOV
Other	CIVICA – new cash management system	15	2	WIP
Other	Treasury Management	10	5	FINAL
		130	10	

Type	Audit	Plan Days	Actual Days used	Proposed Start Date / Status
PENSION FUND				
Reg	Pensions Administration and Contributions	15		FEB
Other	Pensions Investment Management and Accounting	15		FEB
		30		
LEGAL AND DEMOCRATIC SERVICES				
Risk	Data Protection	15		JAN
Other	Legal Counsel	10		OCT
Other	Court Dates	10	10	FINAL
		35	10	
HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT				
Reg	Payroll & HR System	20		JAN
Other	Absence Management and Return to Work	15	2	WIP
Other	Corporate Training	20	9	WIP
Other	Equalities	5	5	WIP
Other	Staff Induction	15		JAN
Other	Honorariums	15		MAR
Other	Overtime Payments	10		DEC
Other	Salary Overpayments	10		OCT
Other	I Trent - expenses	10		NOV
Advisory	Implementation of Single Status	20		ONGOING
Advisory	I Trent - developments	5		ONGOING
Advisory	Agile Working	5		ONGOING
		150	16	

Type	Audit	Plan Days	Actual Days used	Proposed Start Date / Status
INFORMATION AND COMMUNICATIONS TECHNOLOGY				
Other	Moodle	15		FEB
Other	Mobile Devices/Usage	15		OCT
Other	Server Licensing	10		OCT
		40		
PROCUREMENT AND CUSTOMER SERVICES				
Risk	P2P System	20		FEB
Risk	Flintshire Connects	5	1	WIP
Other	Corporate Complaints	10		DEC
		35	1	
LIFELONG LEARNING				
Reg	Grants	10	3	ONGOING
Other	Leisure Service	20		OCT
Other	Pupil/Student Transport	15	12	WIP
Other	Families First	10	11	FINAL
Other	School Funds	5		MAR
Advisory	Control Awareness Sessions New Heads and Governors	5		
Schools	Control and Risk Self-Assessments	15	4	ONGOING
Schools	Risk Based Thematic Reviews	40		
Schools	School Closures/Openings	20	6	WIP
		140	36	

Type	Audit	Plan Days	Actual Days used	Proposed Start Date / Status
COMMUNITY SERVICES				
Risk	Homelessness	15		OCT
Other	Private Rented Sector	15		FEB
Other	Housing Maintenance System	20	1	WIP
Other	Housing Maintenance Contracts	20	16	WIP
Other	Paris System	15	7	WIP
Other	Client Finances	10		JAN
Other	POVA	5	5	FINAL
Other	Disability Service	20		SEP
Other	Commissioning Team	15		DEC
Advisory	Adoption Services – Partnership Arrangements	5		JAN
Addition	Mobile Working and Ticket Validation	25		OCT
Addition	Empty Homes Scheme	10	12	WIP
		175	41	
ENVIRONMENT				
Risk	Integrated Transport Infrastructure	15		DEC
Risk	Streetscene	20		SEP
Other	Repairs and Maintenance	20	1	WIP
Other	Industrial Units	10		NOV
Other	Income From Fees and Charges	30	18	WIP
Other	Regeneration	10		JAN
Other	Waste Management	20		DEC
Other	Minerals and Waste Planning	10	13	WIP
Addition	Pollution Control	15		OCT
		150	32	
CONTRACT AUDIT				

Other	Shotton Schools	10		SEP
Other	21 st Century Schools	5		AUG
		15		

INVESTIGATIONS, PROVISIONS AND DEVELOPMENT				
Type	Audit	Plan Days	Actual Days used	
	Pro-active fraud work and NFI	50	19	ONGOING
	Provision for investigations	300	123	ONGOING
	Provision for ad-hoc requests from Directorates	20		ONGOING
	Follow up reviews	30		ONGOING
	Audit Development - IDEA	20		ONGOING
	Regional Collaboration	30	7	ONGOING
		450	149	
	Overall Total	1450	298	

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.

Other

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

Advisory

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

Audits added to the 2013/14 plan

Community Services

Mobile working and ticket validation – deferred from last year

Empty Homes Scheme – as a result of an investigation

Environment

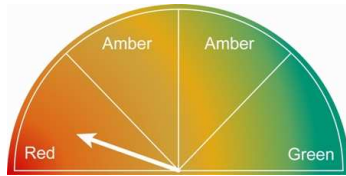
Pollution Control Service Review – deferred from last year

Appendix C

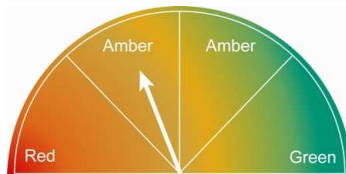
The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received red assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Level of Assurance	Recommendations		
			High	Med	Low
CD0020S1	Risk Management	N/A	0	6	6
CD0050S1	Business Continuity Planning	Amber +	0	5	5
CD0200S1	Performance Indicators	Amber +	0	3	1
CD0300S1	Implementation of Lean recommendations	N/A	1	7	0
CD0500S1	Consultancy	N/A	0	0	0
CD0220S1	Corporate Grants	Red	3	5	1
FD0060S1	Pensions Administration	Amber +	0	2	4
FD0083S1	Accounts Receivable	Amber -	0	5	4
FD0160T1	Treasury Management	Green	0	2	0
LD0180T1	Court Dates	Green	0	2	0
LD0230S1	Commons Register	Green	0	1	0
HR0160S1	Agency Staff Follow Up	Good	0	0	0
HR0300S1	iTrent – Use of Private Vehicles	Amber -	0	2	6
IT0600S1	Electronic Document Record Management System (EDRMS)	Amber +	0	2	3
IT0800S1	Flintshire Connects	Amber +	0	1	3
LL0025T1	Families First	Amber -	0	6	2
LL0170S1	Pupil Referral Unit	Amber +	0	1	4
CS1020T1	Protection of Vulnerable Adults (POVA)	Amber +	0	2	2
CS3010S1	Vehicle Tracking Follow Up	Amber +	0	0	2
OA9083S1	Procurement of Glass	N/A	0	3	0

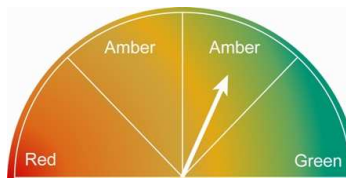
Levels of Assurance – standard reports.



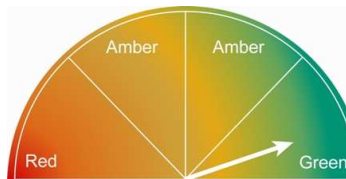
Taking account of the issues identified, the organisation cannot take assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.



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

High
Medium
Low

Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses

Summary of Findings and Action Plan of Reviews with Limited or Red Assurance

Implementation of Lean Recommendations – CD0300S1

Lean philosophy suggests that organisations can improve product or service quality for the same or less cost by continuously reviewing their processes from a customer perspective to remove waste by reducing duplication and inconsistency, removing those processes which do not add value, and by identifying and resolving the root causes of operational problems.

Since 2011 lean reviews have been carried out within Flintshire by an in-house team. In the future lean methodology will be used as part of the organisational change programme to support value for money and corporate reviews.

We have made one high level and seven medium level recommendations based on the following

- Lean should be aligned to the organisational change programme
- Heads of Service should be involved in all Lean reviews
- Lean recommendations should be prioritised to provide direction
- There should be an increased focus on communication regarding Lean
- There should be increased governance over the Lean programme
- There should be a Lean strategy to support implementation
- Deviations from Lean recommendations should be supported
- An ongoing cost/benefit analysis should be in place for all programmes

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.04	Lean should be appropriately aligned to the Authority's organisational change programme to ensure the realisation of more significant and sustainable benefits through the strategic allocation of Lean resources. By embedding Lean within the organisational change programme available resources are focused on	High	Y	<ul style="list-style-type: none"> • Currently developing a broader based organisational change programme (VFM reviews); • More consistent approach of VFM reviews replacing service reviews; • Lean will figure to some / 	August 2013	Head of ICT & Customer Services Head of Legal & Democratic Services Heads of Service responsible for commissioning VFM reviews

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	<p>changes which will have the most impact, and it can be ensured that improvements to one part of a process do not displace costs or cause complications for other parts of the Authority.</p> <p>Without a clear prioritisation of where to deploy its efforts, the Authority risks not achieving the greatest possible benefits from its investment in Lean.</p>			<p>varying extent in the VFM reviews;</p> <ul style="list-style-type: none"> VFM reviews will be commissioned by Heads of Service and where appropriate there will be an element of Lean review both as part of VFM reviews and corporate reviews; This will ensure Lean is aligned with the organisational change programme and ensure that Lean resources are appropriately directed. Efficiencies identified through the broad based organisational change programme will be tracked by an organisational change board. 		
1.01	<p>Heads of Service should be fully involved with all Lean reviews (whether these are stand alone Lean reviews or, as it more likely going forward, Lean reviews carried out to support VFM and Corporate reviews as part of the new broad based organisational change programme).</p> <p>The involvement of staff with an appropriate level of decision making</p>	Medium	Y	<ul style="list-style-type: none"> Head of Service will be responsible for commissioning VFM work, and where appropriate Lean review would be commissioned as part of this; Head of Service will be responsible for driving through the recommendations from the 	August 2013	<p>Head of ICT & Customer Services Head of Legal & Democratic Services Heads of Service responsible for commissioning VFM reviews</p>

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	powers in the identification (and quantification) of underlying problems; the redesign of processes and the development of Options for Change and Quick Wins would ensure the Lean outcomes would be based on a full understanding of the issues faced by the service area, the recommendations generated by the Lean review would be relevant, appropriate and proportionate, and there would be a greater level of buy-in from the service area to drive the implementation of recommendations.			<p>VFM reviews and for ensuring the achievement of potential efficiencies identified;</p> <ul style="list-style-type: none"> Organisational change board in place to track the achievement of the efficiencies through the VFM and corporate review process. 		
1.02	<p>Options for Change and Quick Wins should be prioritised to provide direction to service areas in the allocation of resources. Distinction should be made between low level procedural improvements and incremental breakthroughs which would potentially have a much greater impact on the achievement of efficiencies.</p> <p>In instances where Options for Change are not implemented due to resource limitations within services (e.g. implementation of new IT systems / changes to staffing structures, etc) processes should be in place to ensure the appropriate escalation of Lean recommendations to Senior Management with appropriate decision</p>	Medium	Y	<ul style="list-style-type: none"> Recognised that there is currently no way to measure 'corporate success' re the Lean programme; no distinction between the implementation of recommendations which add the greatest value and those which add less value – agreed that this is something we need to look at; Need to ensure recommendations from organisational change reviews are owned by Managers with appropriate capacity to make decisions; Need to establish a process for escalating decision 	August 2013	<p>Head of ICT & Customer Services</p> <p>Head of Legal & Democratic Services</p>

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	making powers.			making, in particular for cross service reviews and large review / corporate reviews.		
1.03	<p>There should be an increased focus on the communication of Lean to ensure adequate staff awareness of the programme, the links with organisational change programmes, and the future direction of the programme.</p> <p>Communication should include recognition of the successes of the programme and recognition of employee effort, and should seek to maintain the momentum for change and the sharing of knowledge across work streams and departments and generate buy in from staff not directly involved in the Lean process.</p>	Medium	Y	<ul style="list-style-type: none"> Agreed - need to ensure adequate communication re all organisational change programmes, including VFM; Increased levels of communication will also be in place around other corporate reviews, agile working, EDMS, office space, etc. 	September 2013	Chief Executive Head of ICT & Customer Services Head of Housing
1.05	<p>Governance arrangements need to be developed to support the corporate Lean programme to enable its effectiveness to be monitored and to enable efficiencies and service improvements to be measured.</p> <p>Heads of Service responsible for commissioning Lean reviews (whether these are stand alone Lean reviews or, as is more likely going forward, Lean reviews carried out to support VFM and</p>	Medium	Y	<ul style="list-style-type: none"> Robust governance arrangements will be in place around the new broad based organisational change programme; The organisational change programme will involve Lean to a greater or lesser extent; Heads of Service commissioning VFM and 	August 2013	Head of ICT & Customer Services Head of Legal & Democratic Services

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	<p>Corporate reviews as part of the new broad based organisational change programme) should be responsible for driving the implementation of Lean recommendations.</p> <p>The outcome of all VFM reviews (of which Lean recommendations will form a part), together with a detailed cost / benefit model, should be reported to, and tracked by, the new Organisational Change Board.</p>			<p>Lean reviews will be responsible for driving implementation of recommendations;</p> <ul style="list-style-type: none"> • Business case will be required to support each VFM review showing the savings expected; • Organisational Change Board will be in place to track the achievement of efficiencies; • Efficiencies identified through the Lean process will be tracked as part of the new organisational change programme; • Margin of 'non achievement' of efficiencies will require review – possible requirement for some follow up work if potential efficiencies identified are not achieved. 		
1.06	<p>A formal strategy should be in place to support the implementation of Lean (whether stand alone Lean reviews or, as is more likely going forward, Lean reviews carried out to support VFM and Corporate reviews as part of the new broad based organisational change programme).</p> <p>The strategy document should outline;</p>	Medium	Y	<ul style="list-style-type: none"> • Lean to be mainstreamed into VFM and other change work, but agreed that strategy should be in place to support the organisational change process (including Lean). 	August 2013	<p>Head of ICT & Customer Services</p> <p>Head of Legal & Democratic Services</p>

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	<ul style="list-style-type: none"> • Links to the strategic objectives of the Authority; • The management structures in place to support the Lean programme; • Responsibility for the day to day operational management of the programme; • The criteria for determining where Lean resources should be applied to ensure maximum benefit to the Authority; • The training programme in place to support the Lean programme; • Expectations with regards to the number of days to be provided by Lean trained staff within each financial year; • The standard Lean tools and techniques to be applied; • The level of input to be provided by service areas to support the Lean review process; • Processes for reporting outcomes (documentation to be provided at the close of a review, span of distribution, etc); • Processes for monitoring and reporting on the implementation of recommendations. 					

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.07	<p>Any deviations from Lean recommendations or any amendments to redesigned processes should be supported by an updated cost / benefit model, with service areas putting plans in place to address any shortfalls in efficiencies caused by the deviations from the original Lean recommendations.</p> <p>There should be a much greater emphasis on the identification of the cost of deviations (financial or performance related) with updates re the impact of deviations picked up as part of the corporate efficiency tracking process.</p>	Medium	Y	<ul style="list-style-type: none"> • Head of Service responsible for commissioning the VFM work will be accountable; • Realisation of efficiencies will be picked up as part of the efficiency tracking process; • Organisational Change Board in place to track efficiencies; • Significant variations in the achievement of efficiencies would be reported to members via the efficiency tracking process. 	August 2013	<p>Head of ICT & Customer Services</p> <p>Head of Legal & Democratic Services</p> <p>Heads of Service responsible for commissioning VFM reviews</p>
1.08	<p>Whilst it is recognised that it is difficult to isolate the benefits of Lean, given that in a number of cases it is implemented alongside other organisational change projects, going forward processes should be in place to enable an ongoing cost / benefit analysis to be maintained for all organisational change programmes to ensure value for money is achieved in terms of realised and unrealised efficiencies and improved service.</p>	Medium	Y	<ul style="list-style-type: none"> • Will be picked up by the organisational change board as part of the tracking of efficiencies. 	August 2013	<p>Head of ICT & Customer Services</p> <p>Head of Legal & Democratic Services</p>

Corporate Grants – FD0220S1

This report concentrates on the use of the Corporate Grants Register to support the monitoring and control of grants. The effectiveness of the system as a central record was assessed and the information held with regards to income and expenditure was examined. Concern has been expressed by WAO on the completeness of information supporting grant submissions.

We have made three high level and five medium level recommendations based on the following:

- The need for a review of the corporate grants register
- The need for training of the coordinators and grant officers
- The need for an update of the user guide
- The need for ongoing monitoring of the register
- The need for a review of information held on the database
- The need to review the feasibility of a link with the Masterpiece system
- The need to carry out a full review of access to the system
- The need to document responsibility for access controls

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.2	The scheduled review of the Corporate Grants Register planned for the 4th Quarter of this financial year in the Corporate Finance action Plan 2012/13 should be brought forward and should include officer responsibilities for Corporate Grants, access to and training for staff on the Corporate Grant Register and monitoring and reporting on the operation, accuracy and reliance that can be placed on the Corporate Grants Register. Currently minimum reliance can be placed on the register as an accurate record of all grants due,	High	Y	During Q4 2012/13 a review was undertaken. Responsibilities for Corporate Grants were allocated to Officers following FFR. Where needed, access and training was given to staff. An exercise to update the Register for Year End 2012/13 purposes was undertaken. A fuller review of the Grants Register and the Finance's dept operating procedures with regard to grants has been	31 March 2013 31 March 2014	Finance Manager – Strategy and Technical

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	claimed and paid to the organisation.			included in the 2013/14 Corporate Finance Service Plan		
1.3	During the review of Corporate Grants Register, training should be delivered to reinforce the responsibilities of the grant co coordinators and individual grant officers, to ensure that responsibilities are understood and carried out. A system should be established to allow officers involved in corporate grants to feed back on any difficulties in achieving the requirement of the Grant Manual so that any problems can be rectified prior to the grant being claimed and when appropriate, audited.	High	Y	A Training Plan will be devised as part of the fuller review of Grants described in 1.2 above., and consideration given to how best to deliver on-going modifications to the Grant Manual.	31 March 2014	Finance Manager – Strategy and Technical
1.5	The Grant Manual and Corporate Grants Income Register User Guide should be reviewed during the scheduled review of Corporate Grants by the Head of Service Accounting.	Medium	Y	As 1.2 above	31 March 2013 31 March 2014	Finance Manager – Strategy and Technical
1.6	A protocol should be adopted which will ensure the accuracy and effectiveness of the grants register if operated correctly.	Medium	Y	Arrangements for monitoring will be considered as part of the review.	31 March 2014	Finance Manager – Strategy and Technical

2.2	A review of the information held on awarding bodies on the Corporate Grants Database should take place to include verification that all parts of the database are populated as required. Budget holders should be circulated to ensure that they are passing on information on awarding bodies to the Corporate Grants Co- Ordinators and grant officers.	Medium	Y	Maximising income and grants is a key priority for FCC. Monitoring of potential grants is part of further developments of the register planned for the financial year 2013/14, this will be linked with the 'Income Maximisation' Finance work stream of Flintshire Futures.	31 March 2014	Finance Manager – Strategy and Technical
2.4	The feasibility of setting up an interface between MASTERPIECE and the Corporate Grants Register should be investigated. The validity and perceived value of setting up the interface should be established and reported on.	Medium	Y	The review of the register will include a review of all information held. Currently there are no plans to set up an interface.	31 st March 2014	Finance Manager – Strategy and Technical
3.2	A full review of access to the Corporate Grants Register should take place to ensure that all access is required and appropriate.	High	Y	Review of access complete	28 February 2013	Finance Manager – Strategy and Technical
3.3	The responsibility for access to the Corporate Grants Register, review and update should be documented in the Grant Manual and reference to this should be included in the Corporate Grants Register User Guide.	Medium	Y	Access to the register will be covered in the scheduled review	31 st March 2014	Finance Manager – Strategy and Technical

Recommendation Implementation

Status of Recommendations that reached their Implementation Dates in April, May and June 2013.

Title	Reference	Date Issued	Response Received	Recommendations		
				Due	Implemented	Not Implemented
CORPORATE						
Procurement	CD0070R1	Mar 2012	Yes	7	0	7
Procurement	CD0070P1	Nov 2010	Yes	2	1	1
Procurement	FL0070M1	Sep 2009	Yes	1	0	1
			Total	10	1	9
FINANCE						
Main Accounting	FD0080P1	Dec 2011	Yes	1	1	0
Main Accounting	FD0080N1	Sep 2010	Yes	1	1	0
Capital Programme	FD0090P1	Jan 2012	Yes	12	1	11
Enforcement	FL0300L1	Feb 2009	Yes	1	1	0
Housing Benefits	FD6150R1	Aug 2012	Yes	2	0	2
			Total	17	4	13
LEGAL AND DEMOCRATIC						
			Total	0	0	0
HUMAN RESOURCES						
Employee Appraisals	HR0240P1	Jun 2011	Yes	1	0	1
			Total	1	0	1
ICT						
			Total	0	0	0
LIFELONG LEARNING						
Student Finance	LL0040S1	Feb 2013	Yes	3	1	2

School Funds	LL0120R1	Nov 2012	Yes	1	0	1
Facility Services Catering	LL0140R1	May 2012	Yes	4	4	0
ICT Unit – Security of Mobile Devices	LL1065P1	May 2011	Yes	1	0	1
			Total	9	5	4
COMMUNITY SERVICES						
Fostering	CS0110S1	Nov 2012	Yes	4	2	2
			Total	4	2	2
ENVIRONMENT						
Streetscene – Cleanliness of the Public Realm	EN0010R1	Feb 2012	Yes	3	1	2
Section 106 Agreements	EN0020P1	Feb 2011	Yes	2	0	2
Fleet Management	EN0060P1	Jun 2011	Yes	3	1	2
Traffic Management Act	EN0070R1	Jun 2012	Yes	3	1	2
Planning Appeals	EN0105R1	May 2013	Yes	2	2	0
			Total	13	4	9
			Total	54	17	37

Recommendations Not Implemented – Comments from Directors / Corporate Heads

Report	Response From	Reason Acceptable	New Date Acceptable	How is the risk being managed before the recommendation is implemented
CD0070R1 Procurement	Chris Guest	Y All outstanding recommendations are linked to the new CPR's which have been delayed mainly due to the national CPR work and the introduction of the e-Sourcing solution which is now in the process of being implemented	Y	Existing controls rely on local management arrangements and compliance with the existing CPR's
CD0070P1 Procurement	Chris Guest	Y First recommendation no longer applicable as decision made to not continue with Procurement Boards. The second recommendation is linked to the implementation of the e-Sourcing solution as above.	Y	Existing controls rely on local management arrangements and compliance with the existing CPR's
FL0070M1 Procurement	Chris Guest	Y All outstanding recommendations are linked to the new CPR's which have been delayed mainly due to the national CPR work and the introduction of the e-Sourcing solution which is now in the process of being implemented	Y	Existing controls rely on local management arrangements and compliance with the existing CPR's

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Recommendations Not Implemented – Comments from Directors / Corporate Heads

Report	Response From	Reason Acceptable	New Date Acceptable	How is the risk being managed before the recommendation is implemented
FD0090P1 Capital Programme	Kerry Feather	Y Since the audit report was completed in January 2012, it has been recognised that a much wider approach is needed to the development of the capital strategy. The pressure on capital resources has tightened considerably. The Improvement Plan agreed in June 2013, sets out the background for the capital strategy. Work has commenced over the summer on a programme of work which will be a fundamental review of assets and capital programme management. The revised date for production of the strategy of March 2014 reflects the revised approach to be adopted.	Y	<p>The capital programme for 2013/14 was set by Council on 1st March 2013.</p> <p>In recognition of the need for the development of a capital strategy which support s the Council's improvement objectives, the capital programme agreed in March was set as a one year programme with future years (2014/15 to 2022/23) shown as an indicative programme only. No commitment has been made for future years (other than for the Council's contribution to the 21st Centuries Schools programme or for specific small schemes which have a life over more than one year). The costs associated with the schools programme is included within the Medium Term Financial Plan.</p> <p>The capital programme continues to be carefully monitored by officers with directorate service managers through specific department al capital monitoring meetings for which myself and the Corporate Finance Manager oversee. Further monitoring is undertaken through the Corporate Asset Management Group which is chaired by the Director of Environment which includes officers from Finance, Assets and from all spending Departments. This monitoring considers capital resources, forecast expenditure levels and timing. Formal reporting to Members is quarterly to Cabinet and Corporate Resources Overview and Scrutiny Committee.</p> <p>Any urgent capital requirements for additional expenditure or other considerations around resource will be dealt with through these existing channels. If needed, reports could be made at a more frequent interval.</p>

Recommendations Not Implemented – Comments from Directors / Corporate Heads

Report	Response From	Reason Acceptable	New Date Acceptable	How is the risk being managed before the recommendation is implemented
FD6150R1 Housing Benefits	Kerry Feather	Y The Revenues and Benefits Service has undergone significant change in the latter part of 2012 and first half of the 2013 calendar year, including turnover at Senior Manager level, implementing the revised structure following the Finance Review, implementing the new Councils Tax Reduction Scheme and supporting the Council's work on the wide Welfare Reform Programme.	Y	<p>A permanent Revenues Benefits Manager took up position in late June and is implementing a range of measures to ensure that</p> <ul style="list-style-type: none"> • The accounting and monitoring of housing benefit and council tax support are documented and fully understood within the benefits service and corporate finance is implemented and that processes are robust and provide the management and financial information required to manage the service. Accounting is taking a high profile with regular meetings between Corporate Finance and Benefits to ensure understanding and with a determination to continue to improve the reporting format. • There are systematic processes in place to dealing with benefit overpayments. A decision to maintain overpayments staff within Benefits has been made. A responsible team leader is in place and work is commencing to provide a robust reporting mechanism. <p>Prior to June, the position was monitored and progress overseen through 1-1 meetings between myself and the managers within the service.</p>
HR0240P1 – Employee Appraisals	Helen Stappleton	Y The process for collating and analysing training /development needs will be in place via the new HR Business Partners, the Directorate Management Teams and Learning and Development Adviser by September this year which is reasonable. The actions are partially implemented as the iTrent Training module is now operational.	Y	Close monitoring will be undertaken both by myself and by the relevant HR DMT members.

Recommendations Not Implemented – Comments from Directors / Corporate Heads

Report	Response From	Reason Acceptable	New Date Acceptable	How is the risk being managed before the recommendation is implemented
LL040S1 – Student Finance	Kerry Feather	Y Systems in place for the new school year	Y	N/A
LL0120R1 – School Funds	Kerry Feather	Y System in place for the new school year	Y	N/A
L1065P1	Ian Budd	Y Agree to revised date due to Summer break	Y	Happy that most schools have undertaken the training and are following through on their responsibilities. IB to monitor the progress of AW's September actions and re-issue chaser email in his name.
CS0110S1 Fostering	Neil Ayling	Y 3.2 - Time was put aside to discuss this but the Induction Standards have been removed from the CCFW website. Request went to CCFW 2 weeks ago asking for clarification as to whether the Induction Standards will be introduced or withdrawn. Awaiting response	Y	An interim measure will be introduced for progression from Level 1 – Level 2 referencing the new framework.
CS0110S1 Fostering	Neil Ayling	Y 8.1 - It was originally thought that the only way forward in paying Foster Parents was to use the Paris system, however after further investigation it appears it may be possible to use the P2P system. Work is ongoing to see whether this would be the most suitable solution to take forward	Y	Further meeting in September to discuss P2P module as an alternative to PARIS module. Contacts in Conwy indicate they have had great difficulty in introducing the PARIS model.

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Recommendations Not Implemented – Comments from Directors / Corporate Heads

Report	Response From	Reason Acceptable	New Date Acceptable	How is the risk being managed before the recommendation is implemented
EN0010R1 Streetscene – Cleanliness of the Public Realm	Carl Longland	Y The policy is on the agenda for Cabinet in October 2013 and once approved will be implemented forthwith.	Y	Close monitoring of cleanliness in areas by Streetscene Staff.
EN0020 Section 106 Agreements P1	Carl Longland	Y Recommendation at para 3.13 relating to a community “priority” list is being taken forward through the Local Development Plan process. Timetable for this is set out in the LDP delivery Agreement, approved by Cabinet. Recommendation at para 3.28 in relation to community engagement on Section 106s (prior to the adoption of the LDP) was discussed at the County Forum and will be further addressed through the work of Planning Strategy Group. Specific LPGs have been produced and approved by Planning Strategy Group for consultation on the following matters: Landscaping Conversion of Rural Buildings Listed buildings Conservation areas Parking Standards Access for all	Y	The Delivery Agreement is currently out for consultation (ends September 2013) and will then become a binding project plan for the LDP which will be monitored not only by FCC, but Welsh Government. Identification of community requirements to facilitate development will form part of the LDP process. The Community engagement approach on forthcoming Section 106s will be taken forward through Planning Strategy Group’s work this autumn.








Recommendations Not Implemented – Comments from Directors / Corporate Heads




Report	Response From	Reason Acceptable	New Date Acceptable	How is the risk being managed before the recommendation is implemented
Page 102		Drainage systems Renewable energy Environmental Impact Assessments Space around dwellings Trees New housing in Open Countryside Revised LPG on educational contributions now developed, consulted upon and implemented. Work will continue, initially via Planning Strategy Group, on play area contributions. It is envisaged that this work will be completed by February 2014. Also, the monitoring and audit of existing Section 106s is being well received and has concentrated on areas of greatest development.		
EN0060P1 Fleet Management	Carl Longland	Y Recommendation for drivers' handbook will be met by September 2013 with circulation of the document.	Y	Fleet Manager providing support and guidance to Service Managers through Stakeholder meetings prior to release.
EN0070R1 Traffic Management Act	Carl Longland	Y Action now completed to discharge recommendation	N/A	N/A

Recommendations Not Implemented – Comments from Directors / Corporate Heads

Report	Response From	Reason Acceptable	New Date Acceptable	How is the risk being managed before the recommendation is implemented
EN0070R1 Traffic Management Act	Carl Longland	<p style="text-align: center;">Y</p> <p>The proposals have been implemented however the extension is to allow for a period of monitoring before closure</p>	<p style="text-align: center;">Y</p>	<p>Monthly reports from Streetworks Section regarding notifications from Streetscene. Head of Service monitoring returns.</p>

Internal Audit Performance Indicators

Performance Measure	Q1	Target	RAG Rating
Internal Audit Departmental Targets			
Audits completed within planned time	78%	80%	 ↓
Average number of days from closure meeting to issue of draft report	23	20	 ↑
Average number of days from response to issue of final report	2	5	 ↑
Return of client satisfaction questionnaires	100%	70%	 ↑
Client questionnaires responses as satisfied	100%	95%	 →
Productive audit days	80%	75%	 ↑
Other Targets			
Days for departments to return draft reports See Note below	25	20	 ↓

Key  Target not achieved  Within 10% of target  Target Achieved

↑ Improving trend → No change ↓ Worsening trend

Return of draft reports. This included five reports returned late by Finance:-
Housing Benefits; Taxation; Petty Cash; Corporate Grants; Accounts Receivable

Investigations

1. **The following new referrals have been received**

- 1.1 A referral has been received concerning an employee and the improper allocation of council housing, an investigation is currently being undertaken.

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

- 2.1 A referral was received concerning missing money at a Council leisure centre; an employee is subject to a disciplinary investigation and controls have been introduced to reduce the risk of a recurrence.
- 2.2 An investigation is ongoing into alleged operational and financial irregularities within Streetscene, three employees are still suspended and one individual has been summarily dismissed following a disciplinary hearing.

3. **The following investigations have been completed**

- 3.1 Two employees, who were carrying out private work during works time, have been subject to disciplinary action; both received final written warnings.
- 3.2 The investigation into the use of a supplier was concluded; no irregularity was found and procedures have been amended to reflect good practice.
- 3.3 An investigation has been carried out into works on the empty homes scheme, it was found that a member of staff had submitted fraudulent invoices to both Flintshire County Council and a member of the public. The member of staff has subsequently been summarily dismissed following a disciplinary hearing. The matter was referred to the Police and he has been charged by the Police, has pleaded guilty and is now awaiting sentencing.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 25 SEPTEMBER 2013**
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 previous meetings requests for information or reports have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.

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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Email: david.webster@flintshire.gov.uk

AUDIT COMMITTEE ACTION SHEET

12 TH DECEMBER 2012				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
42	Internal Audit Progress Report	That where IA recommendations had not been implemented, particularly on fundamental areas of risk, future IA progress reports to include a summary paragraph giving detail on the area of risk, responsible manager, reason for non-implementation and whether this was acceptable.	D Webster	New system implemented for this committee.

13TH MARCH 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
62	Audit of Financial Statements 2011/12 - Issues Raised	That the objective set for the practice of balancing entries to end by no later than the closure of the 2013/14 accounts and for officers to aim to improve practices by the 2012/13 accounts, be noted.	K Feather / L Thomas	The draft 2012/13 accounts were produced by the statutory deadline of 30 th June 2013. No balancing entries were contained within the comprehensive income and expenditure statement. Unfortunately, it was not possible to eliminate all balancing entries in the cashflow statement Officers have worked with the WAO during the course of the audit of the Statement of Accounts and have eliminated the balancing entries in the cash flow statement. The matter has now been resolved.

12TH JUNE 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
6	Collaborative Projects Arrangements	The protocol for collaborative projects should be developed to include the role of the Audit Committee	C Everett	Collaboration protocol to be completed and applied with specific references to the roles of Cabinet, Audit and Overview and Scrutiny Committees.
7	Briefing meeting held on 22 nd February 2013	A further joint meeting to be arranged	P Evans	Meeting arranged for 7 th October.
11	Internal Audit Progress Report	The IA Manager to amend the Recommendation Tracking report to read Recommendation Implementation	D Webster	Implemented for this committee.
11	Internal Audit Progress Report	The Head of Finance to be invited to respond to outstanding recommendations for her section at a future meeting	K Feather	October meeting.
14	Forward Work Programme	Update to include items on future banking arrangements and section 106 agreements	D Webster	Completed.

30th JULY 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
27	Treasury Management Annual Report 2012/13 and 2013/14 update	Written response to queries raised by Cllr Banks – borrowing rates and potentially sharing treasury management advisors with other Councils.	Corporate Finance Manager	Response provided to Cllr Banks.
28	Certification of Grant Claims and Returns 2011/12	Training session for Council officers by WAO be pursued	Corporate Finance Manager	Training completed on 3 rd September.
28	Certification of Grant Claims and Returns 2011/12	Outcomes from the WAO report for 2011/12 to be included in the 2012/13 report to show comparison	WAO	
29	Audit Committee Terms of Reference	Reinstate wording on information security in relation to computer systems.	Internal Audit Manager	Wording reinstated. Paper to be taken to the next Constitution Committee.
30	Internal Audit Charter	Include more detail on police involvement in the undertaking of investigations into fraud and irregularities in consultation with appropriate Council officers	Internal Audit Manager	Completed. Paper to be taken to the next Constitution Committee.

30th JULY 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
30	Internal Audit Charter	Include reference to the provision of advice from WAO in working alongside IA and AC	Internal Audit Manager	Completed. Paper to be taken to the next Constitution Committee.
30	Internal Audit Charter	Reinstate text on efficient and effective use of resources	Internal Audit Manager	Completed. Paper to be taken to the next Constitution Committee.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 25 SEPTEMBER 2013**
REPORT BY: **HEAD OF FINANCE**
SUBJECT: **FORWARD WORK PROGRAMME**

1.00 PURPOSE OF REPORT

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

2.00 BACKGROUND

2.01 Items feed into the Committee's forward work programme from a number of sources. In order to better manage the workflow for the Audit Committee, the draft programme needs to be kept under review.

3.00 CONSIDERATIONS

3.01 The programme is attached as 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 for 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 and discussion.

4.00 RECOMMENDATIONS

4.01 That the committee considers the attached Forward Work Programme and approve/amend as necessary.

5.00 FINANCIAL IMPLICATIONS

5.01 None arising directly from this report.

6.00 ANTI POVERTY IMPACT

6.01 None arising directly from this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None arising directly from this report.

8.00 EQUALITIES IMPACT

8.01 None arising directly from this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None arising directly from this report.

10.00 CONSULTATION REQUIRED

10.00 Not applicable.

11.00 CONSULTATION UNDERTAKEN

11.00 Publication of this report constitutes consultation.

12.00 APPENDICES

12.01 Current Forward Work Programme (Appendix 1).

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

Contact Officer: David Webster
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AUDIT COMMITTEE
FORWARD WORK PROGRAMME 2013/14 and 2014/15

MEETING DATE	AGENDA ITEM	AUTHOR
7 October 2013	<ul style="list-style-type: none"> • Treasury Management Mid Year Updates • Audit of Data Protection by the Information Commissioners Office • Finance Recommendation Implementation • Regulatory Plan • Corporate Assessment 	Liz Thomas Peter Evans Kerry Feather WAO WAO
18 December 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report • Action Tracking • Forward Work Programme • Risk Management update • Code of Corporate Governance 	David Webster David Webster David Webster Vicki Woolf Peter Evans
29 January 2014	<ul style="list-style-type: none"> • Treasury Management Update and Strategy • Annual Report on external inspections 	Liz Thomas Gareth Owens
26 March 2014	<ul style="list-style-type: none"> • Improvement Assessment Letter (WAO) • Annual Financial Audit Outline (WAO) • Treasury Management Update • PSIAS compliance • Audit Committee Self Assessment • Internal Audit Progress Report • Action Tracking • Forward Work Programme • Private Meeting (WAO and IA) 	Liz Thomas David Webster David Webster David Webster David Webster David Webster

MEETING DATE	AGENDA ITEM	AUTHOR
25 June 2014	<ul style="list-style-type: none"> • Assessment of Internal Audit Report (WAO) • Regulatory Programme (WAO) • Annual Improvement Report (WAO) • Certification of Grants and Returns Report (WAO) • Internal Audit Progress Report • Internal Audit Annual Report • Action Tracking • Forward Work Programme • Risk Management Update 	David Webster David Webster David Webster David Webster Vicki Woolf
16 July 2014	<ul style="list-style-type: none"> • WAO Certification of Grants report • Draft Statement of Accounts • Draft Annual Governance Statement • Treasury Management Update and Annual Report 2012/13 • Financial Procedure Rules 	Liz Thomas Liz Thomas Gareth Owens Liz Thomas Liz Thomas
September 2014	<ul style="list-style-type: none"> • Statement of Accounts 2012-13 • Audit of Financial Statements (WAO) • Internal Audit Progress Report • Action Tracking • Forward Work Programme 	Liz Thomas David Webster David Webster David Webster