

Public Document Pack

Gareth Owens LL.B Barrister/Bargyfreithiwr
Head of Legal and Democratic Services
Pennaeth Gwasanaethau Cyfreithiol a Democraataidd



To: Cllr Alison Halford (Chair)

CS/ST

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

10 December 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, 18TH DECEMBER, 2013** at **10.15 AM** to consider the following items.

**** Members will note the start of the meeting is 15 minutes later than normal. This is for a short informal meeting at 10am to receive a briefing on declarations of interest from the Monitoring Officer/Deputy Monitoring Officer.**

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 25 September and 7 October 2013 (copies 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 **FLEET MANAGEMENT** (Pages 19 - 32)
Report of Director of Environment enclosed.
- 5 **ANNUAL AUDIT LETTER** (Pages 33 - 38)
Report of Head of Finance enclosed.
- 6 **AUDIT OF FINANCIAL STATEMENTS 2012/13 - ISSUES RAISED** (Pages 39 - 44)
Report of Head of Finance enclosed.
- 7 **TREASURY MANAGEMENT MID YEAR REPORT 2013/14** (Pages 45 - 62)
Report of Head of Finance enclosed.
- 8 **CORPORATE GOVERNANCE** (Pages 63 - 92)
Report of Head of Legal and Democratic Services enclosed.
- 9 **INFORMAL MEETING BETWEEN AUDIT COMMITTEE MEMBERS AND OVERVIEW & SCRUTINY CHAIRS/VICE CHAIRS** (Pages 93 - 100)
Report of Head of Legal and Democratic Services enclosed.
- 10 **SIZE OF AUDIT COMMITTEE** (Pages 101 - 104)
Report of Head of Legal and Democratic Services enclosed.
- 11 **INTERNAL AUDIT PROGRESS REPORT** (Pages 105 - 134)
Report of Head of Finance enclosed.
- 12 **FORWARD WORK PROGRAMME** (Pages 135 - 138)
Report of Head of Finance enclosed.

AUDIT COMMITTEE **25 SEPTEMBER 2013**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 25 September 2013

PRESENT: Councillor Alison Halford (Chair) for Minute 34
Councillor Arnold Woolley chaired the meeting for the rest of the meeting
Councillors: Glyn Banks, Haydn Bateman, Alan Diskin, Tim Newhouse and Ian Roberts

LAY MEMBER: Mr Paul Williams

APOLOGY: Head of Legal & Democratic Services

ALSO PRESENT: Councillors: Bernie Attridge and Aaron Shotton

IN ATTENDANCE:

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

Corporate Finance Manager and Finance Manager (Strategy & Technical) (for minute number 37)

Head of Planning (for minute number 38)

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

34. PRESS RELEASE ISSUED BY THE CHAIR

The Chair read out a press release which she had circulated in which she stated her intention to adjourn the meeting and the reasons for doing so in relation to the despatch of papers for the Statement of Accounts. Councillor A. Woolley raised a point of order and asked if any motion to adjourn a meeting must conform to the majority wish or whether the Chair could arbitrarily adjourn the meeting without a vote.

Before a decision could be reached, the Chief Executive said it was important to clarify the statutory obligation of the Council to adopt the accounts before the statutory deadline of 30 September and that if a decision was taken to adjourn the meeting, this would not preclude the process of submitting the Statement of Accounts to full Council for adoption. It was intended at this meeting to fully report on changes which had been made to the accounts for any observations to be made to Council by the Committee, noting that (1) the accounts had been submitted to the Committee in draft form in July; (2) the accounts had been available for inspection since; and (3) it was standard practice in any accounting year for the draft accounts to be amended to include any material changes which had occurred since their drafting and the recommended changes and amendments of the external auditors.

The Democracy & Governance Manager explained that this was a legally convened meeting and pointed out that whilst the Statement of Accounts had not been made available five clear working days before the meeting, it had in fact been made available five clear days (including Saturday and Sunday) beforehand, which more than complied with legal and Constitutional requirements - the same arrangement as last year. He advised that Council Procedure Rules did not entitle the Chair to arbitrarily adjourn the meeting. The Chair could adjourn the meeting in certain circumstances such as to allow time to deal with disturbance by the public, but there were no such circumstances existing. He confirmed that Procedural Rule 5, whereby notice had been given of the meeting to Council Members, had been followed.

The Chair stated her dissatisfaction that the same arrangement had occurred in the previous year but felt that the Committee was being undermined in its ability to scrutinise and was not willing to proceed with the meeting.

The Chief Executive said that this was not the case and that the preferred position was for the Audit Committee to provide a commentary to Council as was the annual practice. He had a duty to present the accounts to Council if the Committee chose not to do this. He said that failure to adopt the accounts within the deadline could incur a penalty and had reputational risks for the Council.

The Head of Finance spoke about the availability of the draft accounts from 17 July 2013 which were then subsequently made available for scrutiny over the summer period, together with drop-in sessions on 12 and 13 September 2013 providing opportunities for all Members to raise queries with officers. In line with previous practice, Wales Audit Office (WAO) colleagues were in attendance to present their findings and provide a full explanation.

In response to the Chair reiterating her intention to adjourn the meeting, Councillor I.B. Roberts suggested that Members and officers remain as he believed the adjournment to be improper without a vote. This was seconded by Councillor Woolley.

The Democracy & Governance Manager said that the Chair was entitled to her view but was not able to adjourn the meeting without taking a vote. He advised that if the Chair was to leave the meeting, in the absence of a Vice-Chair the Committee should appoint a Chair for the meeting from those who were eligible. The Chair left the meeting at this point.

Councillor Roberts nominated Councillor Woolley as Chair for the meeting which was duly seconded by Councillor Newhouse. On being put to the vote, this was unanimously carried.

The Chief Executive stressed that despite the timescale, the legal deadline had been met in availability of the agenda papers and assured Members that arrangements were compliant and transparent.

Mr. J. Herniman of WAO referred to the complexity of producing accounts within the statutory deadline, which applied to all authorities. He said that the report listed the main adjustments which it was intended to go through in detail.

He reminded the Committee that the Council was charged with governance arrangements on approving the accounts and had received the papers in the requisite number of days and that, although not necessary, it was important for the Committee to make a recommendation to Council.

RESOLVED:

That Councillor A. Woolley be appointed Chair of the Committee for the rest of the meeting.

35. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Councillors A.G. Diskin, G.H. Bateman and I.B. Roberts each declared a personal interest in Agenda Item 4: Statement of Accounts 2012/13 as they were respectively Chair and Vice-Chair of the Clwyd Pension Fund Panel and member of the Pension Scheme.

36. MINUTES

The minutes of the meetings of the Committee held on 17 July and 30 July 2013 were submitted.

30 July 2013

Minute 27: Treasury Management Annual Report 2012/13 and 2013/14 Update - A written response to queries previously raised by Councillor G.S. Banks was circulated at the start of the meeting.

As a point of accuracy, Councillor G.H. Bateman sought clarification on interest amounts paid on investments with Landsbanki. The Finance Manager (Strategy & Technical) confirmed that the claim which had been submitted to the winding-up Board was for the Council's original investment plus contract interest.

RESOLVED:

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

37. STATEMENT OF ACCOUNTS 2012/13

The Head of Finance introduced the Statement of Accounts for 2012/13, together with the Wales Audit Office (WAO) reports in connection with the audit of the financial statements and Letters of Representation for Flintshire County Council and Clwyd Pension Fund.

Since the draft version of the accounts had been presented to the Committee in July 2013, drop-in sessions were arranged for all Members in September 2013 to answer any queries from Members. There was a statutory duty for the accounts to be considered and approved before the end of the month deadline, during which time the audit officially continued for post balance sheet events and the like, but had now been substantially completed. The Head of

Finance said that in collating the accounts in a prescribed format from across an organisation such as this, it was inevitable that issues would be raised. It was also important to remember that the document related to the accounting treatment and classification of assets and liabilities within the accounts. She advised that the final accounts included changes agreed by WAO during the course of the audit and that these had been discussed with officers with appropriate actions put in place to amend processes where necessary. The liquidation of AD Waste which had been finalised over the last fortnight had resulted in complex accounting entries being made to bring the assets and liabilities from that company fully into Flintshire's balance sheet in line with accounting policies. She thanked the officer team for their work in preparing the accounts within the deadline and invited WAO colleagues to present their findings.

Audit of Financial Statements Report for Flintshire County Council 2012/13

Mr. J. Herniman of WAO spoke of the complex task and time dedicated to producing local government accounts, including some areas requiring technical discussion on the treatment of issues within the accounts and inevitable adjustments which were normal practice. He advised of the intention to issue an unqualified (clean) opinion on the financial statements. Whilst reporting on the corrected misstatements identified, which had been agreed with management, he advised that the issue with balancing entries in the accounts had been resolved.

Mr. P. Williams asked why the prior period adjustment of £12.752m on non current assets had not been recognised previously. Mr. Herniman explained that this had been identified through a sample check in the audit where the issue had been incorrectly treated in the accounts for 2011/12 and 2012/13. Mr. Williams referred to the £13.8m adjustment for non-enhancing capital expenditure and the impact on depreciation which would require regular review of assets to ensure there was no repeat.

The Chief Executive advised Members on the outcome of the final liquidation of the assets and liabilities of AD Waste which had fallen late in the accounting period due to the legal process. The changes were a reflection of fact on liquidation and had not occurred due to any new decision by the Council on the close of the company; liquidation was simply a closing legal process.

Mr. Herniman explained that although it was recognised that a reasonable estimate had been made for the provision of equal pay liability in the accounts, the Council had opted not to provide for pension contributions within this, following legal advice. He explained that some authorities chose to do this and advised that the Appointed Auditor was content that no further action was needed until such time as any future court decisions arose on this issue. In response to legal advice sought by Councillor G.S. Banks, the Democracy & Governance Manager said that whilst opinions differed on this subject, the Council had followed advice from its legal advisors. The Chief Executive said that a Council meeting was being held at the end of October 2013 on a proposed Single Status agreement. The Council would also be advised on an Equal Pay Strategy at that meeting.

Audit of Financial Statements Report for Clwyd Pension Fund 2012/13

Mr. Herniman reported that an unqualified opinion would be issued on the financial statements and commented on the diverse portfolio of the Clwyd Pension Fund including £262m of unquoted investment funds which relied on valuations with a degree of uncertainty. He went on to refer to an understatement in the value of investments of £899K where management had taken the decision not to make an adjustment and requested that the Committee take a view on this and possibly include in the recommendation to Council. He expressed his thanks to the Finance team and officers who had assisted with the audit.

In response to the reference to resources within the Pensions department, the Head of Finance reported on the recent full-time appointment of a senior officer to strengthen the team and the recruitment of less senior positions. On the uncorrected misstatement, she spoke of the size and diversity of the Clwyd Pension Fund portfolio and the involvement of the Panel during consideration of the accounts at the draft stage. An ongoing timing issue meant that the latest investment value information would always be received after the financial year following collation of the final accounts and was not considered to be material to overall values. A balance was therefore needed on considering the amount of accounting adjustment required against the impact on officer time in finalising the accounts within the deadline.

The Chair agreed with the management decision on this issue as it was an understatement rather than an overstatement. Mr. Williams agreed but spoke of his concerns about the availability of resources in the department. The Chair echoed this view and commented on the impact of the inevitable scaling down of resources in local government, particularly in Finance areas.

The Chief Executive reminded the Committee that the Clwyd Pension Fund was ringfenced and acted on behalf of other outside bodies, adding that the temporary capacity issue had now been addressed. In summarising both reports, he welcomed the unqualified opinions issued and the positive relationship between the Council and WAO.

Members welcomed the report, noting no major issues had been raised by WAO and asked that their gratitude be extended to those involved in producing the accounts within the timescale. Ms. A. Hughes of WAO offered her thanks to the Finance team who had worked constructively with the auditors.

Following earlier discussion, the Chief Executive gave assurances that further work would be undertaken on the assets portfolio.

In response to a request from Councillor I.B. Roberts, the Chair agreed to speak on behalf of the Committee at the full Council meeting later in the day where the accounts were to be submitted for adoption. On being put to the vote, the resolutions were unanimously supported by the Committee.

RESOLVED:

- (a) That the final version of the Statement of Accounts 2012/13 be recommended to County Council, noting that the Committee support the management decision not to adjust the uncorrected understatement of £899K;
- (b) That the reports from the Wales Audit Office be noted;
- (c) That the Letter of Representation - Flintshire County Council and Letter of Representation - Clwyd Pension Fund be recommended to County Council; and
- (d) That the Committee note the reassurance for further work to be undertaken on asset management.

38. PLANNING - SECTION 106 AGREEMENTS

The Internal Audit Manager explained that the item had arisen following previous concerns raised by the Committee on outstanding recommendations from an audit on the use of Section 106 Agreements. The Head of Planning was invited to present the report and provided background on the process of Section 106 Agreements which had led to him commissioning the audit.

The Head of Planning gave an overview of actions detailed in the report which had been taken to address the audit recommendations and advised that in compiling a list of all Section 106 Agreements signed since 2000, officers had reviewed over half of these to date. As an example of the work undertaken so far, copies of a spreadsheet were circulated showing information on agreements for Buckley which had been shared with the Town Council. Such information had been generally well received by Town and Community Councils and was helpful in clarifying the process and demonstrating transparency. Further work carried out to date was detailed in the report.

Following a query raised by Councillor T. Newhouse, the Head of Planning explained the need for the introduction of Community Infrastructure Levy (CIL) to go through a parallel process to the Local Development Plan (LDP) which was evidence-based and therefore links would need to be made to satisfy any Inspector.

Councillor G.S. Banks sought a response on the comment that the audit had identified a lack of confidence in processes for Section 106 Agreements. The Head of Planning replied that this referred to the inability to trace what payments had been sought and that this was now included in the monitoring sheets. Work had since been done to improve and clarify the process. In response to a question on differences in triggers, he said that this was dependent on the size of the site.

When asked by Mr. P. Williams about the extent of the backlog, the Head of Planning indicated that there were currently 40-50 unsigned legal agreements in the system but was unable to give an estimated value of payments included

within them. He said that CIL should simplify the process and provide opportunity to focus on attracting funding to mitigate the impacts of particular developments.. Any developer who breached the triggers would instigate formal enforcement procedures, however the enforcement officer had been successful in informally resolving outstanding financial issues. In response to questions on potentially halting a development, the Head of Planning spoke of the difficulties in providing evidence of actual harm, but said that CIL would simplify the process.

In response to further queries, the Head of Planning explained that each planning application was determined on its own merits and could not take into account the past history of the developer and their track record of payments of Section 106 funding, or otherwise. On the enforcement of triggers, he advised that officers physically went out on site to carry out monitoring. The Democracy & Governance Manager pointed out that in addition to the Council's enforcement procedures, local searches carried out by solicitors of potential property buyers would highlight any non-compliance with planning permissions.

In summary, the Head of Planning said that an improved system was now in place allowing easier review of Section 106 Agreements. Once the work was completed for the whole of Flintshire in approximately 12 months' time, a report would be submitted to the Planning Strategy Group to seek a recommendation elsewhere, possibly to Overview & Scrutiny. The Internal Audit Manager confirmed that this was acceptable to him.

RESOLVED:

That the content of the report be noted and welcomed.

39. VARIATION IN ORDER OF BUSINESS

The Chair indicated that there would be a slight change in the order of business to bring forward Agenda Item 7 before Agenda Item 6. The remainder of the items would be considered in the order shown on the agenda.

40. RISK MANAGEMENT REPORT

The Internal Audit Manager presented the report on Risk Management following the issuing of the final report by Internal Audit in August 2013. He explained that risk management was one of the three areas that had to be included in the Internal Audit Annual Report brought to the Committee in June. This work had been completed by then and the Risk Management report was now finalised. The delay had meant that management had been able to use Internal Audit's work in their refresh of the Risk Management Strategy. The Internal Audit Manager gave an overview of the recommendations which concentrated on linking risks to Council objectives, and developing risk management in collaborations and projects.

Following a comment from the Chair, the Internal Audit Manager confirmed that actions had been taken through the refreshing of the Strategic Assessment of Risks & Challenges (SARC) which would require continued review.

Mr. P. Williams welcomed the improvements and remarked on the need to link risk management profiling with operational issues and to monitor. He asked if the changes to the SARC process would be reflected in the Annual Governance Statement. The Democracy & Governance Manager explained that as the AGS had been developed for this year, this would be pursued through the working group for next year.

Councillor G.H. Bateman sought information on the six significant risks listed in the Internal Audit report. The Internal Audit Manager replied that this represented where specific risks were considered and how they were reported.

RESOLVED:

That the report be noted.

41. RISK MANAGEMENT

The Chief Executive presented the report on the response to the findings of the Risk Management audit report to give assurance on the robustness of the Council's risk management arrangements. He said that this was a good example of using a live piece of work and referred to the three areas of strategy, systems and operations within risk management.

Whilst the Strategic Assessment of Risks & Challenges (SARC) had been useful, it was recognised that a refresh of the format was needed to link to the Improvement Plan. The Committee was also advised of the review of partnership registers and the capturing of risks integrated to project management. The Chief Executive said that the improvements represented a good organisational 'cultural change' and would be tested when working on projects.

Mr. J. Herniman of Wales Audit Office (WAO) said that comments had previously been made on the SARC and welcomed its review.

Councillor T. Newhouse queried the number of significant risks compared with those listed in the Internal Audit final report. The Internal Audit Manager gave assurance that there were no omissions, explaining that the two significant risks listed in section 1.06 had been combined in the previous agenda item.

RESOLVED:

That the responses to the Internal Audit report findings be noted as reflecting robust assurance of the Council's risk management arrangements.

42. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update report on progress of the Internal Audit department. It was reported that the advertisement of a part-time vacancy, due to a secondment, had not received approval under the vacancy management control procedures and would impact on the audit plan. The Internal Audit Manager said that he and the Head of Finance were working on options and would submit a report to the Committee as soon as possible. He

gave a reminder that he was required to notify the Committee of any significant matters which could jeopardise delivery of the plan. The Head of Finance gave assurance that potential risks were being explored for any adjustments to be made to the plan, however it was noted that certain types of audit could not be deferred.

The Chief Executive invited the Committee to recognise that the rigorous approach being taken to vacancy management applied to all areas of the Council and was due to the uncertainty over the budget gap from 2014/15 onwards. He spoke of the importance of the Committee being able to satisfy itself on any changes made to the plan.

The Internal Audit Manager gave an overview of the key considerations advising that the current year's plan was on target and noted that more than 200 days had been completed on the plan last year. He explained that the backlog of work from the last financial year, due to the major investigation, had resulted in a large number of reports being finalised since the last meeting and provided further detail on the implementation of Lean recommendations and Corporate Grants.

The Chair expressed concerns that not all Council vehicles had tracking devices fitted and suggested that the Committee may wish to take a view on this. The Chief Executive spoke of an ongoing fleet review, including trackers, and suggested that the Head of Streetscene could be invited to the Committee to report on this. Councillor T. Newhouse welcomed this and asked that the report include information on the cost of installing trackers.

Councillor G.S. Banks congratulated the Internal Audit Manager and his team for their work and suggested that the topic of vehicle trackers may be more relevant to Overview & Scrutiny. The Chief Executive said that this was an issue which overlapped Housing and Streetscene, and that it was relevant for the Audit Committee to consider in relation to fraud prevention.

On recommendation implementation, the previously agreed change was now in place to show comments of the relevant Director/Head of Service for their respective areas. A database was currently being developed to generate automatic replies for this.

Mr. P. Williams thanked officers for their efforts in progressing reports. In welcoming the improvements to the implementation of recommendations, he hoped that the inclusion of responses from Director/Head of Service demonstrated greater ownership and accountability and suggested that it might be useful to include the new date and a 'yes/no' column to indicate whether or not the risk was acceptable to Internal Audit. Councillor Newhouse suggested that the original date also be included.

Ms. A. Hughes of Wales Audit Office (WAO) said that the inclusion of comments from senior officers was a positive improvement which would increase accountability as well as keeping the Committee informed of progress.

On Performance Indicators, the Committee's attention was drawn to the number of days for departments to return draft reports and was asked to note the impact on the PI arising from the time of year when reports were issued, for example, year end priorities in the Finance section.

During discussion on investigations, Mr. Williams asked about the completion of an investigation relating to the empty homes scheme. The Internal Audit Manager explained that this related to a matter outside the procurement process and also provided further detail on an ongoing investigation.

Councillor Newhouse referred to acronyms in the report and asked that the full name be given when first used in a report and then acronyms. The Chief Executive confirmed this was what should happen.

RESOLVED:

That the report be noted.

43. ACTION TRACKING

The Internal Audit Manager presented a report on actions resulting from points raised at previous Audit Committee meetings. The report contained a summary of actions carried out to date, the majority of which had been completed. He gave a reminder that the briefing meeting with Overview & Scrutiny Chairs would take place immediately prior to the next Audit Committee meeting.

On Collaborative Projects Arrangements, the Chief Executive reported that the collaboration protocol had been produced.

RESOLVED:

That the report be accepted.

44. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the report to consider the Forward Work Programme for the next year and explained that the Treasury Management Mid Year Update and Wales Audit Office Improvement Assessment Letter would be deferred from 7 October 2013 to the meeting on 18 December 2013.

Councillor T. Newhouse extended his apologies for the next meeting.

Councillor I.B. Roberts reflected on the meeting and asked for it to be noted that the Committee was satisfied in the way that the business had been conducted and thanked those on the Committee for their co-operation in enabling the Council to approve the accounts within the statutory deadline.

RESOLVED:

That the Forward Work Programme be approved, with the deferment of the Treasury Management Mid Year Update and Wales Audit Office Improvement Assessment Letter to the meeting on 18 December 2013.

45. 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 12.30 pm)

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Chair

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AUDIT COMMITTEE
7 OCTOBER 2013

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Monday, 7 October 2013

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

Councillors: Glyn Banks, Haydn Bateman, Alan Diskin and Arnold Woolley

LAY MEMBER: Mr Paul Williams

SUBSTITUTE: Councillor Ray Hughes (for Tim Newhouse)

APOLOGY: Councillor Ian Roberts

ALSO PRESENT: Councillor Aaron Shotton

IN ATTENDANCE:

Chief Executive, Head of Legal & Democratic Services, Head of Finance, Internal Audit Manager, Democracy & Governance Manager and Committee Officer

Ms. Amanda Hughes of Wales Audit Office

46. SUBSTITUTION

Prior to the start of the meeting, the Democracy & Governance Manager explained that Councillor Hughes had received the requisite training and the constitutional requirement for the Committee to consider whether appropriate reasons had been provided for the proposed substitution. On being put to the vote, the Committee unanimously indicated their agreement.

RESOLVED:

That Councillor R. Hughes be permitted as a substitute for the meeting.

47. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

No declarations of interest were made.

48. WALES AUDIT OFFICE REGULATORY PLAN FOR PERFORMANCE 2013

The Chief Executive introduced the proposed Regulatory Programme for Performance Audit for the Wales Audit Office (WAO) for the period April 2013 to March 2014. Following receipt of the WAO report on the audit of the financial statements received at the previous meeting, this report sought to provide assurance on governance arrangements together with improvement planning and compliance work on national guidance. A report on the WAO Improvement Assessment Letter would be submitted to the next meeting following consideration by Cabinet and the Corporate Resources Overview & Scrutiny Committee.

In highlighting the WAO fees shown within the report, which were generally based on Council sizes, the Chief Executive felt these to be reasonable and said that good progress had been made on reducing the risk-based fees in years past.

The Chair said it was important that fees were appropriate for the audits undertaken and asked about the impact of any additional fees arising from the new Measure. The Chief Executive explained that £137K was not a new cost and that some performance work of the WAO under newer legislation simply replaced the old.

On pointing out an inaccuracy which had been reported in the local press, Ms. A. Hughes of WAO clarified that the fee of £215K had applied only to audit work on checking figures in the financial statements whereas the total of £354K included performance audit work.

Mr. P. Williams questioned whether the WAO considered the adequacy of resources in assessing the Council's capacity to meet its objectives and he felt that a capacity review should be undertaken to ensure the delivery of the Medium Term Financial Plan (MTFP). Ms. Hughes was positive that her colleagues would take into account resources capacity and was aware of discussions between colleagues and the Chief Executive on the MTFP and activities undertaken by the Council to address the significant financial challenges.

Councillor A. Woolley asked about the availability and review of the Work Plan and Timetable mentioned in the report, which indicated the range of performance audit work undertaken by WAO and relevant regulators.

The Chief Executive said that there were capacity issue challenges in managing and changing the organisation. It was acknowledged that capacity would reduce over time as the size of the organisation reduced. The budget gap position was now significantly worse and a report on the MTFP, which was due to be received at the next Cabinet meeting, was up-to-date in predicting local financial pressures. In response to Councillor Woolley's question, there was not a broken-down quarterly work plan although regular meetings were held to review audit work. Ms. Hughes confirmed that discussions were ongoing between the Council and WAO to ensure the timely delivery of audit work. The Chief Executive stated that the Council generally complied with the timely delivery of reports.

The Chief Executive confirmed that for Improvement Studies, the WAO may decide to carry out work on a sample of Councils or across all 22 depending on the size of the study. Subject to the nature of the study, specific local feedback or overall findings would be provided.

RESOLVED:

That the proposed Regulatory Programme for Performance Audit of the Wales Audit Office for the period April 2013 to March 2014 be accepted.

49. **DATA PROTECTION AUDIT BY THE INFORMATION COMMISSIONER'S OFFICE**

The Democracy & Governance Manager introduced a report on processes which had been put in place following the audit undertaken by the Information Commissioner's Office (ICO) on Data Protection compliance. He detailed the background to the audit which had been carried out with the agreement of the Council and the areas covered. The report included a copy of the Executive Summary of the audit report together with details of actions to address the recommendations, which had also been submitted to the Corporate Resources Overview & Scrutiny Committee. The audit had concluded that there was 'reasonable assurance' around the Council's Data Protection processes and procedures, which was the second best of the four categories of audit opinion.

The Democracy & Governance Manager said that the overall conclusion was positive as a red risk had previously been allocated in the Strategic Assessment of Risks & Challenges (SARC). He said that actions were now in place to address the recommendations, for example where the iTrent system would be utilised to update records of Data Protection training.

The Chair congratulated officers for their efforts in reaching a positive outcome. The Chief Executive said that Data Protection covered many areas of the Council and the improvements to corporate arrangements would be made. The Head of Legal & Democratic Services added that the ICO had identified the involvement of Internal Audit on Data Protection work as one of the areas of good practice in Flintshire.

Following a query from Councillor A. Woolley, it was explained that out of the 38 recommendations made by the ICO, 15 had been implemented to date whilst some required longer term actions. The Democracy & Governance Manager had devised a folder system to help monitor how many recommendations had been implemented and signed off, which would be progressed at monthly meetings of the Data Protection team. Involvement by Internal Audit would ensure that satisfactory progress was being made, culminating in a report to be agreed by the Corporate Management Team (CMT) for submission to the ICO by 17 January 2014.

In response to a query from Councillor G.S. Banks, the Democracy & Governance Manager explained that existing internal processes could be utilised to action some of the recommendations. On training, Heads of Services were responsible for encouraging their teams to attend sessions with advice provided by the Data Protection team on the type of training required. In respect of the Information Systems Examination Board Certificate in Data Protection, arrangements were now in place for three members of the Data Protection team to pursue this training.

Mr. P. Williams remarked that monitoring of actions was a key issue and suggested that the Committee receive a progress report in January 2014. As work would be undertaken by Internal Audit at the end of the year to feed into the follow-up report to ICO, the Internal Audit Manager suggested that a report be brought to the Committee in March 2014.

RESOLVED:

That the Committee note the results of the ICO audit and the processes in place to monitor the agreed action plan to implement the recommendations made.

50. IMPLEMENTATION OF FINANCE AUDIT RECOMMENDATIONS

The Head of Finance introduced the report detailing outstanding audit recommendations for Finance and the management of risks prior to implementation. She explained that the nature of some of the work carried out in Finance meant that this received regular coverage on the Internal Audit Plan for each year. Assurance was given that the monitoring of actions to address the recommendations had been incorporated into monthly and quarterly performance monitoring and would feed into half-yearly corporate reporting arrangements.

On the summary of recommendations in Appendix 1, the Head of Finance advised that out of 70 recommendations for Finance, 27 were outstanding beyond their originally agreed implementation date, covering six areas of the Finance division. An additional 8 recommendations for Corporate Grants, arising from a recently issued report, had not yet reached their agreed implementation date of March 2014. She provided an overview of the reasons for delay in each case as detailed in the report which was cross-referenced with information on the recommendations made by Internal Audit.

In relation to the Medium Term Strategy Audits, Mr. P. Williams questioned the impact of resources on implementing actions and spoke of the need for the Committee to be satisfied as to the adequacy and effective use of resources. The Chief Executive said that the issues raised in the audit had been overtaken by the updating of the Medium Term Financial Plan (MTFP) which was due to be published later in the week. This was a fully comprehensive document linked with corporate priorities as set out in the Improvement Plan. The Improvement Plan would be reported on a six monthly basis to set out progress. In response to a further question, the Internal Audit Manager confirmed that the validity of outstanding recommendations was verified as part of work on recommendation tracking.

In response to a question on the MTFP from Councillor G.H. Bateman, the Head of Finance said that arrangements had now been put in place to include pressures within the Strategy document, which documented the current practice.

The Chief Executive spoke of the latest refresh of the MTFP which factored in the Council's key priorities. Costs of borrowing and Single Status had been built into the Plan which added to the budget gap and were critical pressures.

The Head of Finance said that detail on the Capital Strategy and Programme had been received previously at the Committee. Since the audit was completed, there had been recognition of the need for a wider corporate approach to the Capital Strategy. A significant amount of work had been carried out and a decision taken to move the date for producing the Strategy to the end of the financial year as a more meaningful timescale.

Following queries raised on recommendations in Enforcement, the Head of Finance provided an explanation on consistent use of the 'Masterpiece' financial ledger which was one of the areas requiring a corporate approach. The Internal Audit Manager explained that there were some areas where invoices had been raised but not chased up consistently which contributed to delays. In recovery of debt, the Head of Finance also clarified that assessing the adequacy of current processes for monitoring income collection did not relate to the collection of rent arrears which was dealt with by Housing. This issue was around the effectiveness of collecting sundry debts owed to the Council.

The Internal Audit Manager commented that having received similar reports on Procurement and Planning, this was the third report to be considered by the Committee in response to concerns raised about outstanding recommendations. He advised that these were the three main areas of concern in this regard and thanked the Committee for raising the profile, giving assurance that progress would continue to be tracked to the revised implementation dates.

In response to the questions raised on the MTFP and Strategy, the Chief Executive would liaise with the Internal Audit Manager to agree on the reporting of ongoing work about their development to the Audit Committee.

Mr. Williams noted that the report included information on the management of risks prior to implementation which he felt gave assurance to the Committee.

RESOLVED:

That the report be noted.

51. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were two members of the press in attendance.

(The meeting started at 2.30 pm and ended at 3.45 pm)

.....

Chair

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 18 DECEMBER 2013**
REPORT BY: **DIRECTOR OF ENVIRONMENT**
SUBJECT: **FLEET MANAGEMENT**

1.00 PURPOSE OF REPORT

1.01 To update Members of the Audit Committee on the Council's current Vehicle Fleet Tracking Arrangements

2.00 BACKGROUND

2.01 At a meeting of the Audit Committee on 25th September 2013, the committee requested information on the Council vehicle tracking system, including the number of Council vehicles fitted with trackers and the cost of both fitting and maintaining them

2.02 Flintshire County Council currently operates a total Vehicle Fleet of approximately 400 vehicles. The annual cost of operating the Fleet is approximately £6.1m with the cost spread across the various services areas as follows

Community Services	Estate Caretakers etc	1%
Community Services	Property Services	10%
Community Services	Social Services	2%
Corporate Services	C'takers, ICT, Theatre etc	1%
Environment	Streetscene	81%
Environment	Other	2%
Lifelong Learning	C' Hall & Secondary	2%
Lifelong Learning	Leisure	1%

2.03 Whilst the vehicles operate within the individual services across the County, the procurement and maintenance of vehicles are centrally organised and managed by Fleet Services staff within Streetscene in the Environment Directorate.

2.04 The installation of tracking units into all Council vehicles was a key action from the Operational Implementation Plan within the Fleet Strategy approved by the Council's Executive in 2011. The Strategy recognised that effective management of this service critical Council Asset is essential both in terms of sustaining service delivery and in managing the obvious liabilities associated with operating a fleet of

this size and complexity.

- 2.05 An All Wales Framework Contract for the provision and maintenance of Vehicle Telematics was arranged by Denbighshire County Council in 2009 in order to assist Councils in monitoring their vehicle Fleets more effectively.
- 2.06 Following a robust procurement process, the Contract was awarded to a local company based in Wrexham – Track You Ltd who now provide tracking systems to a number of Councils across Wales, utilising the framework. As the current contract period has come to an end, discussions are currently ongoing with procurement colleagues in Denbighshire in respect of the mechanism to either extend the contract or to re-tender the work for a further fixed period
- 2.07 The framework allows the Council's own workshop mechanics to fit and replace the basic tracking units during regular vehicle inspection visits to the workshop. This reduces the cost of installing the system and reduces down time, whilst the units are being fitted to the vehicles. It also allows the units to be easily transferred from one vehicle to another once the lease or hire period has expired. Mobile units are also available and can be easily fitted to short term Hire Vehicles at minimal cost, if required.
- 2.08 The initial costs of purchasing the units together with the annual maintenance charges are recharged either directly to the user or through the General Fleet Recharge Mechanism. No specific budget has been allocated for the implementation of this project.
- 2.09 The reporting and monitoring system is web based and allows access to a wide range of prescribed users to view the movements of the Council Fleet. The information is 'real time' allowing Streetscene Contact Centre staff and Supervisors across the Authority the opportunity to locate the nearest vehicle to assist with specific service requests. Access to the information is password protected and user details are logged to ensure confidentiality and security of the data.
- 2.10 Whilst the system was originally intended to act as a mechanism to simply track vehicle movements, developments within the sector have moved at a great pace, allowing the Council to now utilise the system as a broad management tool to both manage the Fleet Asset more effectively and increasingly to manage the operations carried out by the vehicles and Council employees working from them.
- 2.11 In addition to recording the accurate location of vehicles, other details including driver behaviour are also recorded and can be used to defend the Council against any spurious third party claims that may be received.

- 2.12 Other information recorded by the system includes
- Speed and direction of travel
 - Notifications of vehicles leaving defined areas
 - Instances of harsh acceleration and braking – which can also be used to modify driver behaviour
 - Utilisation levels
 - Driver identification
 - Unauthorised usage and out of hours usage
- 2.13 The system also provides drivers with an emergency assistance call button (Panic Button) which notifies both the supplier (who supports a 24/7 cover for this service) and the Council - in the event of an emergency incident
- 2.14 The system has enabled the Fleet Service to review utilisation levels across the Fleet and provided the information base used within the on-going Fleet Review. It will also form the cornerstone of the proposed Demand Planning (Logistics) service delivery option currently being considered by the service This will help ensure the Council manages its Vehicle Fleet more effectively in future
- 2.15 The system is now fitted on 260 vehicles including Small/Light vans (across all Council service areas) and specialist LGV vehicles e.g. Refuse vehicles, Gully Emptiers, Gritters etc
- 2.16 The age of the current leased fleet and the intention to migrate to the hire model of ownership has influenced the roll-out of trackers to all vehicles. It is intended that all vehicles will be tracked following the implementation of the Fleet Review.

3.00 CONSIDERATIONS

- 3.01 A Protocol for the use of tracking to monitor vehicle movements has been developed and will be presented for formal Cabinet for approval, on completion of the current Fleet Review (**Appendix 1**)

3.02 Current Developments and Extended Use

Track You have worked closely with WCBC and Flintshire to further develop the system in order to monitor, manage and direct the operations carried out from the vehicles. This includes the following functionality

- Waste Assisted Collections notification system. A presentation of this system and the proposed further developments was presented to the Environment Overview and Scrutiny Committee in 2013 and was well received and supported by Members

- Route notification and verification – notifies when a gritting route is uncompleted
- Driver notification of low recycling participation in an area or the presence of large quantities of side waste at a property.

3.03 **Proposed Future Developments**

Further developments are planned which will integrate the tracking system into the core reporting mechanism for the Fleet Service and reduce the required Administrative roles in preparing and grouping work instructions. This will include notification of service requests being sent directly to cab from the Streetscene Contact Centre

4.00 **RECOMMENDATIONS**

4.01 That Members of the Committee note the current coverage and developments of the Fleet Tracking System.

5.00 **FINANCIAL IMPLICATIONS**

5.01 Installation and maintenance - From within current Fleet budgets.

5.02 Tracked vehicles assist with the processing of third part insurance claims, in many cases allowing the Council to successfully defend the claim.

5.03 Better control of driving behaviour and route control will reduce fuel usage.

5.04 The latest framework costs for installing and maintaining the tracking system are as follows

Hardware	New price
TR7000 Vehicle Tracking Unit	£299.99
TR6000 Vehicle Tracking Unit	-
TR6000e Vehicle Tracking Unit	-
TR5000 Vehicle Tracking Unit	-
TR5110 Vehicle Tracking Unit< G-sensor & CANbus	£224.99
Remote panic button	£49.99
6 Button Gully box	£279.99
In cab button	£7.50
Mobile Data Terminals	£259.00
Waste and recycling Unit	£500.00
System access, monitoring service and warranty (Per month per vehicle)	£9.99

6.00 ANTI POVERTY IMPACT

No impact

7.00 ENVIRONMENTAL IMPACT

7.01 The tracking system allows Service Managers to monitor the efficiency and utilisation of the fleet, which reduces vehicle mileage and the impact of the Fleet on the Environment

8.00 EQUALITIES IMPACT

8.01 The use of the Tracking System to monitor Assisted Collections reduces the number of missed waste collections at the most vulnerable residents properties

9.00 PERSONNEL IMPLICATIONS

None

10.00 CONSULTATION REQUIRED

None

11.00 CONSULTATION UNDERTAKEN

11.01 A presentation of the developments of the tracking system was made to the Council's Environment Overview and Scrutiny Committee in 2013.

12.00 APPENDICES

Appendix 1 – Protocol for Vehicle Tracking

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

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FLINTSHIRE COUNTY COUNCIL

Vehicle Tracking Protocol

Guidance on the use of the corporate vehicle tracking System

Vehicle Management System

Introduction

Flintshire County Council have taken the decision to fit vehicle tracking devices to all Council fleet vehicles and some items of plant, in order to protect staff and Council assets, the Council agreed the introduction of a Vehicle Management VMS (VMS) for its operational fleet and high value items of plant.

The introduction and the development of the VMS will also assist the authority to achieve a number of efficiency savings and therefore this is linked directly to the Council's Corporate Value for Money Framework and Environmental Commitments.

General Principles for Use of VMS

The Council have agreed with Trade Unions, to install a VMS in the Councils fleet of vehicles and high valued items of plant.

The VMS will be installed and operated in all current vehicles and high value/ high risk items of plant and to all new vehicles.

Why has the Council installed a Vehicle Management VMS?

The Council, as an employer, has a duty to its employees to protect their Health and Safety whilst at work, this includes the legal requirement to take breaks and adhering to standard road safety, the VMS will help to actively monitor this.

The benefits of deploying a VMS can be broken down into four distinct areas, which are listed below:

1. Employee Benefits:

The VMS will:

- Provide added security for lone workers – panic buttons relay directly to a 24/7 call centre where the emergency procedure will be escalated, should this be required, emergency services will be given an exact location of where the driver/vehicle is;
- Ensure compliance with working-time directives statutory requirement;
- Allow managers to be able to identify where staff are in emergencies for a more rapid response;
- Provide drivers with information to improve driving techniques and increase driver awareness through driver training this will thereby improve efficiency and safety.
- Provide information on accidents to protect the interests of the Council and employees / drivers;
- Highlight when staff are entering known dangerous locations by sending an alert to specified telephones.

The Council has a duty of care to all its employees, therefore they have agreed to the significant investment in the VMS from which the fundamental requirement for all directorates will be to ensure the safety of drivers/ employees whilst also delivering greater customer focused effectiveness and helping to deliver major organisational efficiencies.

The installation of the VMS is also linked to the on-going review of a number of operational and management arrangements that are being considered and implemented to improve the performance and financial stability of departments across the council.

The VMS will provide improved security for items of stock and equipment as well as the vehicles; if a vehicle is stolen the VMS can track the vehicle and assist in its recovery.

The VMS will allow departments to implement improvements that will increase efficiency and make significant reductions in non-productive time and thereby save money.

In line with other Council wide initiatives the VMS is viewed as key tool to ensure that customer service is maximised.

What information can the VMS provide?

The device in the vehicle is a GPS based VMS that can pinpoint the location of the vehicle to an accuracy of 5 metres. The status of the vehicle can be measured in terms of but not limited to:

- Time and location of stops and starts;
- Length of time at specific locations;
- Speeding and violent breaking events;
- Excessive idling;
- Vehicles leaving authorised areas;
- Vehicles entering no-go areas;
- Unauthorised usage and out of hours usage;
- Driver identification, who is driving the vehicle at any given time;
- Vehicle location and status information can be obtained from:
 1. A full screen map which can be zoomed down to street level;
 2. A live journey list which shows the vehicle location and status in real time;
 3. A journey replay screen which enables historical journeys to be replayed;
 4. Anyone of 30+ detailed VMS reports.

2. Accident Investigation

All employees within Flintshire County Council who have been approved to drive certain types of vehicles will be issued with a unique “driver identity key”. The individual employee will be wholly responsible for the key’s safe custody and usage; this key must not be shared with any other driver. The driver key will need to be presented to a dashboard-mounted keypad before each use of the vehicle in order to enable the vehicle. There is a cost each time a key is to be re-issued and the replacement cost shall be borne by the individual employee unless the key has been stolen (without neglect). This key must not be kept with the vehicle ignition key or left in the vehicle and should be kept with the driver at all times.

Each unit fitted to the vehicle has “black box” accident recording technology, which enables the investigation of data to provide evidence or challenge fraudulent and bogus liability claims, and because the VMS automatically logs the identity of the driver through the driver key all road traffic violations can be accurately investigated and notified to relevant enforcement / regulatory bodies.

3. Vehicle utilisation, fuel and carbon emission savings

By knowing the location of a vehicle at any given time, the department will be able to identify and plan where vehicles are and thereby provide a more efficient and effective deployment of services which will improve customer service.

The VMS will be used to accurately record vehicle efficiency usage. The department will be able to make best use of the existing fleet without the need for costly spot hire of vehicles. The information the VMS provides will be used to establish the optimum number of vehicles required by directorates in the future. The VMS will provide data of non-productive scheduling and vehicle routing, with the improved routing and scheduling greater efficiency savings in fuel and carbon emissions can be realised.

The VMS provides immediate information with regard to excess idling. The department will be aware of vehicles being stationary with the engine running for long periods of time. This information will be used to counsel individuals in the department's commitment to make efficiency savings.

The VMS will allow the department to set "No-go" areas and the VMS will automatically send a text message to the employee's line manager to notify them in the event a "no-go" area is entered.

4. Attendance and Productivity Management

All employees of the Council are contracted to work in any location of the Authority, as instructed from time to time. By definition, all Flintshire County Council Employees may be required to work in varying locations throughout the day.

The VMS will be used as an aid to verify and monitor attendance and productivity, in addition the VMS information will be used by the department to manage attendance on the various sites, job locations etc. and will be used to verify claims made by employees; managers may use the information to authorise and validate claims, discrepancies shall be dealt with under normal procedures and under the Council's disciplinary procedures if required.

In summary the Vehicle Management VMS will:

- Provide transparent management control of the operational fleet;
- Improve protection of individuals and Council assets;
- Eliminate non productive time and excess fuel costs;
- Provide evidence for accident investigation and road traffic violations;
- Manage attendance and productivity;
- Maximise efficiency and improve service delivery;

Following the issue date of this protocol there will be "a settling in period" of 3 months where individuals will be counselled on operational and traffic infringements arising from the VMS reports, after that date cases of repeated infringements will be dealt with under the Councils relevant Policies.

The Department reserves the right of addressing any issues which are considered to constitute significant risk to the Council or individuals, where the reputation of the Council or the Directorate are disparaged or where Health and Safety Regulations and Traffic Regulations are disregarded, in these cases the normal course of action will be taken under the relevant Council Policies.

Protocol for Managers and Staff and Emergency Procedures

Managers

Only authorised officers / employees will have access to the VMS and its information. This will be strictly controlled in terms of cross directorate / departmental information, i.e. Public Building Maintenance will not be able to view Highways, Cleansing and Parks information and vice versa. If information relating to another department is required a Senior Manager may request the information from the Transportation & Logistics Section.

Authorised users will be issued with a unique user name and password. This password should be treated the same way as any other IT password and kept secure at all times.

Passwords should not be shared with anyone else and should be kept secure inline with the Councils ICT policies.

All of the Fleet vehicles are fitted with the VMS and drivers will be made aware that the hardware has been installed on their vehicle and training will be given on operating the system and issued with a copy of the VMS protocol.

Authorised users will be given comprehensive training to ensure responsible use of the VMS. An audit trail of who has logged in to the VMS can be obtained. Unreasonable use of the VMS system will result in the access to the system being suspended.

Managers will ensure that:

- 1) The VMS is not being used for minor transgressions i.e. excessive idling or harsh braking, where these could be dealt with through developmental processes / training. These incidents should be referred to Transportation & Logistics Section who will determine if additional training is required. However it should be recognised that each instance will be taken on its own merits and could result in disciplinary action being taken if necessary, in addition should repeat offences occur it may be determined that formal action is required.
- 2) VMS is not used to make any changes to productivity agreements between the union and the Council without prior consultation;
- 3) At no time (without the express authority of the employee) should such information from the VMS be provided to an outside authority or authorities unless requested to do so as part of a criminal investigation, or other regulatory body such as VOSA.
- 4) Prior to implementation of the VMS, sufficient training will be provided by the Council to all relevant employees on its use. This training will be treated in the same manner as other formal training.

Drivers

A vehicle fitted with a VMS can only be started by using the driver identification key. The ID key is personalised to each driver and must not be shared with other drivers. It will be the driver's responsibility to prove that they were not the driver of a vehicle in the event of any traffic violations or traffic incident, if their driver id is in use at that time.

The driver ID Key will also only allow vehicles that the driver has been authorised to drive to be started i.e. the driver must have had council clearance and hold a LGV licence in order to drive a LGV.

Employees using the VMS will take all reasonable steps to ensure the VMS's correct use, and communicate with supervisors to avoid erroneous alarms by reporting any obvious defects or faults.

Tampering with the VMS will be clearly identifiable both in the cab and on the screen. The VMS does continue to record even when attempts have been made to deactivate the VMS and information will be downloaded once the VMS is reporting again, deliberate attempts to disable the VMS will lead to disciplinary action.

For the purpose of probity, vehicles must not be used for any other reason other than in the execution of Council business. The vehicles must not be used outside of normal business hours subject to a reasonable period of time to travel to and from home and place of work. The only exception being when an employee is using the vehicle for business purposes in the execution of the department's emergency service. In such circumstances the vehicle cannot and must not be used for private business on the pretence that the employee may receive a call to attend an incident as part of this service. Use of a vehicle for personal use could be deemed as gross misconduct and as such will be classed as misuse of council vehicles.

Emergency Procedure

As part of the health and safety benefits of the VMS, all vehicles have been fitted with an in-cab panic alarm button. This will provide lone worker protection; if an employee has a problem in the field they can be located quickly and efficiently. The button must only be pressed in the case of an emergency where urgent assistance is required. Once the button is activated, the following procedure will be managed and executed by the Corporate Alarm Monitoring Centre (CAMC).

On activation of the panic alarm button the control room will receive the alert message and will take the appropriate actions dependant upon the time of day in line with the procedures in place.

It should be noted that lone worker protection is an important part of the VMS protocol and that the activation of the panic alarm will be treated seriously in all cases. A cost will be incurred should the incident be escalated whereby the CAMC need to contact the relevant Supervisor / Manager to attend. In a real emergency this is considered appropriate, as it will be difficult to activate the alarm accidentally, all instances of activation shall be investigated and any instances of nuisance activation shall be dealt with under the Council's disciplinary procedures.

Driver ID Fob Fact Sheet

Drivers should be aware that:

- Driver ID key fobs **must not** be left in the vehicle.
- Driver ID key fobs **must not** be kept on the same key ring as the vehicle ignition key.
- Driver ID key fobs **must not** be shared; it is your responsibility for the security of your driver ID key fob.
- Replacement Driver ID keys will be charged for.
Immediate replacements £25
Replacement within 24 hours £15

**Lost or stolen key fobs must be reported to the
Transportation & Logistics Office immediately on
01352 704657 or workshop 01352 704687**

ID Key Fob Number Allocated

Signed

PRINT

Date

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 18 DECEMBER 2013**
REPORT BY: **HEAD OF FINANCE**
SUBJECT: **ANNUAL AUDIT LETTER**

1.00 PURPOSE OF REPORT

1.01 To report to the Committee the Annual Audit Letter from the Council's Appointed Auditor, Wales Audit Office (WAO).

2.00 BACKGROUND

2.01 The Appointed Auditor is required, under the Public Audit (Wales) Act 2004 to provide to Members of the Council, a summary of the key messages from his statutory responsibilities and reporting responsibilities under the code.

2.02 The letter is required to be issued by 30th November each year.

3.00 CONSIDERATIONS

3.01 The Annual Audit Letter to Members of Flintshire County Council is attached.

3.02 The letter brings together key messages and relevant updates from the (unqualified) audit opinion on the financial statements for 2012/13 which was issued on 30th September 2013 and reported to the Audit Committee and Council on 25th September 2013.

3.03 The Annual Audit Letter will be incorporated into the Annual Improvement Report (AIR) which will be issued in the new year. However, as a stand alone document with a reporting date of end November, it is important to bring it to Members in this cycle.

3.04 The actions to address the issues raised by WAO in the ISA260 report to Audit Committee and Council in September are included in a separate report also on this agenda.

3.05 A representative of WAO will be present at the meeting to present the annual letter.

4.00 RECOMMENDATIONS

4.01 Members are asked to note the Annual Audit Letter to Members of Flintshire County Council.

5.00 FINANCIAL IMPLICATIONS

5.01 None directly as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None directly as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Appendix A – Annual Audit Letter to Members of Flintshire County Council.

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

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Councillor Aaron Shotton – Leader
Colin Everett - Chief Executive
Flintshire County Council
County Hall
Mold
CH7 6NB

Reference 658A2013
Date 29 November 2013
Pages 1 of 3

Dear Councillor Shotton and Colin

Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources but there is further scope to strengthen its financial controls in a number of areas and the Council faces significant financial challenge which needs to be addressed

It is the Council's responsibility to:

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

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

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

On 30 September 2013 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts.

The key matters arising from the accounts audit were reported to members of the Audit Committee and Council in my Audit of Financial Statements report on the 25 September 2013 and are summarised below:

- There were a number of amendments in relation to the accounting of fixed assets. The Council had treated non-enhancing capital expenditure incorrectly and an adjustment of £13.8 million was required to restate asset values as a result of having to impair assets. In addition, not all assets were recorded in the asset register resulting in inconsistencies with the financial ledger which could lead to errors in accounting treatment. Further work also needs to be done to understand the functionality of the fixed asset register and embed consistent working practices.
- Despite some improvements, in particular the clearance of long standing 'balancing items' in the accounts, there is further scope to improve the quality of the accounting statements.
- Based on legal advice available to it, the Council did not fully recognise a liability for pension contributions on its equal pay liabilities. This is contrary to legal advice received by the Appointed Auditor which suggests that pension contributions should be paid on payment to resolve equal pay claims. Given the diverging legal views and uncertainty regarding the need to recognise a provision, the Appointed Auditor concluded that he would not take any further action as part of the 2012-2013 audit of accounts.
- In September 2013 the liquidation of AD Waste was finalised. In accounting terms this was an adjusting event after the balance sheet date and between the draft accounts preparation and finalisation, the Council therefore adjusted the final version of the accounts to reflect the post liquidation position. All accounting transactions relating to ADW being brought in-house have been completed and were satisfactory.

The following issue was identified regarding the Clwyd Pension Fund accounts:

- The accounts contained an uncorrected misstatement, although it was not material. Investments were recorded in the accounts based on valuation reports available at the time of preparation. Prior to the conclusion of the audit, more up to date valuation reports became available which showed that investments at 31 March 2013 had been understated by £0.9 million. However, as this was a timing issue, the Council provided management representations, which we accepted, to explain the reason for not amending.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

The Council updated its medium term financial plan in October 2013. The plan identified a budget gap of £16.5 million for 2014-15 and £47.8 million over the coming five years. Since then, the provisional Local Government Settlement for 2014-15 was announced by Welsh Government. This included a number of adjustments which had the effect of reducing the budget gap to £15.5 million for 2014-15. The plan sets out the organisational change strategy to meet the efficiency and savings targets over the next five years. The major structural review will consist of: corporate efficiency; functional efficiency; organisational design – structure and operating models; and, organisational design – workforce.

The scale of change facing the Council to deliver the financial savings is considerable although we understand that the Council is well on its way to identifying how the financial gap in 2014-15 is to be met. Nonetheless there is still significant work required to set a balanced budget for 2014-15 and to meet the financial challenges in 2015-16 and beyond.

The Council is close to finalising its single status agreement which sees 84.5 per cent of staff set to stay the same or gain on base pay. The proposed agreement also aims to provide a modern and positive solution for low pay. The Council is confident that it strikes the balance of acceptability and affordability and the financial implications have been built into its financial planning.

I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2013.

The financial audit fee for 2012-13 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely



John Herniman
For and on behalf of the Appointed Auditor
29 November 2013

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 18 DECEMBER 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **AUDIT OF FINANCIAL STATEMENTS 2012/13 –
ISSUES RAISED**

1.00 PURPOSE OF REPORT

- 1.01 To outline the Council's response to the Wales Audit Office (WAO) report 'Audit of Financial Statements 2012/13' and to present to Members an 'action plan' of how issues raised in the report will be addressed.

2.00 BACKGROUND

- 2.01 As part of the final accounts process, the WAO present ISA 260 reports 'Audit of Financial Statements' every year to the Audit Committee upon the conclusion of the audit of the Council's Statements of Accounts. One report relates to Flintshire County Council, the other to the Clwyd Pension Fund. The ISA (International Standards on Auditing) 260 requires the auditor to communicate relevant matters relating to the audit of the financial statements to those charged with governance of the entity.
- 2.02 Both 'Audit of Financial Statements 2012/13' reports were presented by the WAO to the Audit Committee and Council on 25th September 2013.

3.00 CONSIDERATIONS

- 3.01 Appendix 1 to this report is the Council's Statement of Accounts Action Plan 2013/14 which summarises:
- The issues raised in the WAO report
 - The Council's response to those issues
 - Actions planned to respond to those issues raised
- 3.02 Officers are currently working to the action plan so that the issues raised are resolved for the 2013/14 statement of accounts.

4.00 RECOMMENDATIONS

4.01 Members note the report and action plan.

5.00 FINANCIAL IMPLICATIONS

5.01 None.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None required.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Appendix 1 – Statement of Accounts Action Plan 2013/14.

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

Contact Officer: Liz Thomas – Finance Manager,
Technical Accountancy
Telephone: 01352 702289
Email: liz.thomas@flintshire.gov.uk

STATEMENT OF ACCOUNTS ACTION PLAN 2013/14

Issue Raised in WAO Report	Flintshire's Response	Actions
<p>Non-current assets were subject to restatement as non-enhancing expenditure had not been impaired.</p>	<p>For many years the procedure in Flintshire has been to assume that any capital expenditure incurred on assets held on the balance sheet on a valuation basis added to the value of the asset on a '£1 of expenditure' adds '£1 to the value' basis.</p> <p>When the asset is re-valued during the 5 year rolling programme, the current valuation and the capital expenditure is replaced with the new valuation.</p> <p>It is accepted that the procedure didn't reflect best practice; however it had been discussed with various auditors over the years and wasn't raised as a material audit issue previously.</p>	<p>A procedure is currently being developed for use in 2013/14 so that expenditure in the capital programme is reviewed on a regular basis. Any potential enhancement of the value of an asset will be considered and a re-valuation undertaken (where necessary) following the completion of the scheme.</p> <p>At the end of the financial year the appropriate accounting treatment can then be applied to enhancing and non enhancing capital expenditure, with enhancing capital expenditure included in the asset register. This will be in place for 2013/14 year end.</p> <p>The Valuation and Estates team are establishing a more formal impairment review that will take place as part of the year end procedures.</p>
<p>Further work is needed to understand the functionality of Technology Forge and embed appropriate working practices.</p>	<p>During 2012/13, which was only the second year of using Technology Forge (the new asset register), great improvements were made from the 2011/12 position. However it is accepted that further improvements are required.</p>	<p>Training sessions have taken place delivered by the software suppliers for Accountants, Valuers and Auditors.</p> <p>Working practices are being developed so that valuation information is input into Technology</p>

STATEMENT OF ACCOUNTS ACTION PLAN 2013/14

Issue Raised in WAO Report	Flintshire's Response	Actions
		Forge by joint approach involving Accountants and Valuers which will resolve issues arising during the 2012/13 audit.
<p>There are some general issues relating to the quality of the accounts including;</p> <p>Departures from the requirements of the Code still exist in relation to short term debtors and creditors where the analysis contained with the respective notes is not in accordance with requirements.</p> <p>The accounts continue to be subject to a reasonably high level of adjustment, particularly in relation to non-current assets.</p>	<p>Accepted</p> <p>Accepted</p>	<p>A review of all notes in the Statement of Accounts is underway to ensure compliance with the 2013/14 Code of Practice.</p> <p>The actions planned above in relation to non current assets and technology forge will prevent non current assets from being restated in the future, which along with the adjustments for the post balance sheet event (completion of the liquidation of AD Waste) formed the bulk of the adjustments made in 2012/13.</p>

STATEMENT OF ACCOUNTS ACTION PLAN 2013/14

Issue Raised in WAO Report	Flintshire's Response	Actions
<p>Clwyd Pension Fund</p> <p>Uncorrected Misstatement</p> <p>In preparing the draft financial statements, the Authority uses the latest investment valuation reports available to value private equity investments. More up to date valuations become available by the end of the audit. This led to an understatement in the valuation of investments within the accounts. This difference was not corrected in the accounts.</p>	<p>The auditors request valuations directly from the fund managers and receive and confirm those valuations up to the end of the audit. This leaves insufficient time to make the substantial changes required throughout the accounts. The difference is included in an explanatory note in the accounts as agreed with WAO as the difference was not considered material to the accounts.</p>	<p>A full review and report to document the issue and its implications is in the process of being written. Discussion will take place with the WAO with a view to agreeing a process for receipt of information during the course of the audit, in a timely manner that can be incorporated into the final version of the 2013/14 accounts. This will ensure that, where practical, the accounts do not contain this uncorrected misstatement.</p>

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 18 DECEMBER 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **TREASURY MANAGEMENT - MID YEAR REPORT 2013/14**

1.00 PURPOSE OF REPORT

1.01 To provide an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2013/14 to the end of September 2013.

2.00 BACKGROUND

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

2.02 On 1st March 2013, the Council approved the Treasury Management Policy Statement 2013-2016, Treasury Management Strategy 2013/14 and Treasury Management Practices 2013-2016, following the recommendation of the Cabinet and consideration by the Audit Committee.

3.00 CONSIDERATIONS

Treasury Management Mid Year Report 2013/14

3.01 The draft Treasury Management Mid Year Report for 2013/14 is attached as Appendix 1 for review. This Mid Year Report will be reported to Cabinet and Council in January 2014.

3.02 The Mid Year Report reviews the activities and performance of the treasury management operations during the period 1st April to 30th September 2013.

3.03 In summary, the key points of the Mid Year Report are:

- Performance during the period was broadly in line with the expectations of the TM Strategy 2013/14.

- There are early signs that the recovery of the UK economy is gaining momentum with increased growth but this is against a backdrop of historically low interest rates and a number of global factors with the potential to impact on the recovery as outlined in the economic update in section 3 of report.
- No new borrowing has been undertaken so far during 2013/14, therefore total long term borrowing stands at £172.1m with associated interest costs of £3.506m paid during the 6 month period at an average interest rate of 5.42% as expected.
- Investments in general were made with UK banks and building societies up to periods of 12 months. When appropriate, suitable longer term investments will be made. The average rate of return was 0.6% generating investment income of £0.201m which is broadly in line with budget.
- AAA rated Money Market Funds continue to be utilised. As at 30th September 2013, £14.6m was invested across 3 separate funds.
- The treasury function operated within the limits detailed in the Treasury Management Strategy 2013/14 with one exception; an investment made in early April exceeded the limit with the particular counterparty. The error was identified promptly and immediate action taken to reduce the total invested in accordance with the policy limit. Internal controls have been improved to ensure that such a procedural error will not happen again. Further details in paragraph 7.03 of the Mid Year Report.

Treasury Management Update

- 3.04 A statement setting out the Council's investments as at 30th September 2013 is attached as Appendix 2, the investment balance was £63.8m across 17 counterparties.
- 3.05 There have been no changes to the Council's long term borrowing in 2013/14, and this borrowing strategy, of using internal reserves in lieu of borrowing, will continue for the remainder of the year, as this remains the most cost effective way of funding capital expenditure.
- 3.06 At the time of writing the last Audit Committee update report, in July 2013 a debt rescheduling opportunity was being considered by officers and the Council's Treasury Management advisors. The premia charged for repaying high interest rate debt or replacing it with debt at a lower interest rate was expensive and therefore made any debt rescheduling unattractive. Officers will continue to monitor the situation.

- 3.07 Attention now turns towards setting the Treasury Management Strategy for 2014/15. Officers have had an early informal training session with Arlingclose Ltd and have attended a Strategy Setting Workshop run by the CIPFA Treasury Management Network.

Member training has been arranged for 27th January 2014 which will be a Treasury Management Workshop presented by Arlingclose Ltd. The session will be hosted by the Audit Committee but will be open to all Members. The views of the Audit Committee are sought in deciding which particular areas of Treasury Management they would like our London based advisors to cover in more depth.

Landsbanki Update

- 3.08 A fourth distribution of £0.187m was made by the Winding Up Board of Landsbanki during September 2013, bringing the total received to date to £1.947m of the £3.7m principal invested. As previously reported it is expected that UK local authorities will recover 100% of their deposits, although this is still subject to potential future exchange rate fluctuations, which will have an effect on the total amount recovered. The final impact on the Council will not be known until the distribution process is completed which is not likely to be concluded for some years yet; current estimates indicate that this will not be until 2018/19.

4.00 RECOMMENDATIONS

Members review the draft Treasury Management Mid Year Report 2013/14 and identify any matters to be drawn to the attention of Cabinet on 21st January 2014.

5.00 FINANCIAL IMPLICATIONS

- 5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

- 6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

- 8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd.

12.00 APPENDICES

- 12.01 1. Draft Treasury Management Mid Year Report 2013/14
2. Investments as at 30th September 2013

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

None.

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FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

MID YEAR REPORT 2013/14

1.00 PURPOSE OF REPORT

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

2.00 BACKGROUND

- 2.01 Treasury management comprises the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2.02 The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.
- 2.03 The Council's policy is to appoint external consultants to provide advice on its treasury management function. The current external adviser is Arlingclose Ltd.
- 2.04 The Council has adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year.
- 2.05 In addition, the Welsh Government (WG) Guidance on Local Government Investments recommends that local authorities amend their investment strategies in light of changing internal or external circumstances.
- 2.06 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.
- 2.07 The Council approved the 2013/14 Treasury Management Strategy at its meeting on 1st March 2013.

3.00 ECONOMIC & INTEREST RATE REVIEW APRIL – SEPTEMBER 2013.

Provided by Arlingclose Ltd the Council's Treasury Management advisors.

Growth: The UK economy showed some improvement, with consumer spending boosting growth. GDP for the first quarter of 2013 was +0.3% and for the second quarter was +0.7%. Recent data suggests a similar rate in quarter three. Revisions by the Office of National Statistics to GDP back-data showed the UK

avoided a double-dip recession in 2012, but that the downturn in 2008-09 was deeper than previously estimated. Growth is now still over 3% below its peak back in 2007.

Some positive signs for household spending emerged. The deterioration in real earnings growth (i.e. earnings less inflation) slowed, which implied a slower erosion of purchasing power. Consumer confidence improved. Household savings rates remained high, which is unsurprising given the uncertain economic outlook, but appear to be on a downward track, suggesting spending was being driven by borrowing or lower savings. This raises questions about the sustainability of the recovery at these rates of growth.

Inflation: Annual CPI was 2.8% in July. Inflation rose in line with expectations and is expected to remain close to this level throughout the autumn. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. The oil price (Brent Crude) climbed above \$100/barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.

Monetary Policy: There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively. The main development for UK monetary policy was the start of Mark Carney's tenure as Governor and the implementation of forward guidance. Within the August Inflation Report, the Bank stated its forward guidance, the main element of which is to defer monetary tightening until the ILO Unemployment Rate falls below 7% (among a raft of caveats). The Bank projected that the probability of this happening would remain below 50% until 2016. The Governor has had to defend the Bank's guidance in the face of rising financial market expectations on the back of the encouraging economic data.

In his testimony to Congress on 22nd May the US Federal Reserve Chairman Ben Bernanke stated that, if the nascent recovery in the US economy became established, the Fed would reduce its \$85bn monthly asset purchase programme (QE). The apparent movement by the Fed towards tapering its open-ended QE programme prompted extreme asset price volatility in bonds and equities, as investors sought to crystallise gains driven by excessive liquidity. As a consequence, government bond yields spiked. There is a growing expectation that the Federal Reserve will seek to taper asset purchases before the end of the calendar year.

Global: Whilst the outlook for the global economy appeared to have improved over the first half of calendar 2013/14, significant economic risks remain, particularly in China and the Eurozone. The Chinese banking system is facing tighter liquidity conditions as officials seek to slow down rampant credit growth, and, despite the time gained by the ECB to allow individual members and the

Eurozone as a whole to reform their economies, the Eurozone debt crisis has not gone away. The region appears to be dragging itself out of recession and September's German general election passed with little incident but political uncertainties, particularly in Italy, could derail any progress towards a more balanced and stable regional economy. The US recovery appeared to be in train, but a lack of agreement on the federal budget by the end of September caused a partial government shutdown at the start of October, which could have an effect on GDP growth. Political risks also remain regarding the debt ceiling.

Outlook: At the time of writing this activity report in September 2013, the UK economic outlook appears to have improved. The projected path for growth has risen, but remains relatively subdued, with a distinct reliance on household consumption, which itself remains under pressure given the deterioration in real earnings growth, high unemployment and general low confidence.

A variety of other factors will continue to weigh on a domestic recovery, including on-going fiscal consolidation, muted business confidence and subdued foreign demand. While the economic recovery may pick up steam, forward guidance from the Bank of England suggests that monetary policy is unlikely to be tightened until the ILO Unemployment Rate falls below 7%. The Bank projected this level would be reached in 2016.

The table below details the latest forecast for the Bank of England base rate as provided by our advisors Arlingclose:

	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Dec 15	Mar 16	Jun 16	Sep 16
Interest Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

4.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT

4.01 PWLB (Public Works Loans Board) Certainty Rate Update.

The Authority qualifies for borrowing at the 'Certainty Rate' (0.2% below the PWLB standard rate) for a 12 month period from 1st November 2012. In August the Authority submitted its application to WG along with the 2013-14 Capital Estimates Return to access this reduced rate for a further 12 months from 1st November 2013.

4.02 Borrowing Activity to 30th September 2013.

The total long term borrowing outstanding, brought forward into 2013/14 totalled £172.1 million. Loans with the Public Works Loans Board are in the form of fixed rate (£143.1m) and variable rate (£10m). The remaining £18.95m is variable in the form of Lobo's (Lender's Option, Borrower's Option). The Council's average borrowing rate is currently 5.42%.

	Balance 1/04/2013 £m	Debt Maturing £m	New Debt £m	Balance 30/09/2013 £m
Capital Financing Requirement	184.6			184.6
Long Term Borrowing	172.1	0.00	0.00	172.1
TOTAL BORROWING	172.1	0.00	0.00	172.1
Other Long Term Liabilities	7.4	0.00	0.00	7.4
TOTAL EXTERNAL DEBT	179.5	0.00	0.00	179.5
Increase/ (Decrease) in Borrowing £m				0.0

4.03 The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

4.04 No new long term borrowing has been undertaken so far during 2013/14.

Affordability (interest costs charged on new loans) and the "cost of carry" (costs associated with new loans) remain important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

4.05 Loans at Variable Rates

The extent of variable rate borrowing the Council can potentially undertake is influenced by the level of Reserves and Balances. The interest rate on the Council's £10m variable rate loans averaged 0.545%.

The uncertain interest rate outlook further supports the case for maintaining variable rate debt. As the economy still appears unsettled official interest rates are forecast to remain low for much longer, the Council has determined that exposure to variable rates is warranted. It also assists with the affordability and budgetary perspective in the short-to-medium term.

Any upward move in interest rates and interest paid on variable rate debt would be offset by a corresponding increase in interest earned on the Council's variable

rate investments. The interest rate risk associated with the Council's strategic exposure of £10m is regularly reviewed with our treasury advisor against clear reference points, this being a narrowing in the gap between short and longer term interest rates by 0.5%. This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

4.06 Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy will be to minimise debt interest payments without compromising the longer-term stability of the portfolio.

The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant at around 3.5%.

The use of internal resources in lieu of borrowing has therefore continued to be the most cost effective means of funding capital expenditure, with £5.1m utilised for this purpose. This has lowered overall treasury risk by reducing both external debt and temporary investments.

The Council acknowledges that this position is not sustainable over the medium term and borrowing options and the timing of such borrowing continue to be assessed, with current expectations that the Council will need to borrow for capital purposes from 2014/15 onwards.

4.07 Lender's Option Borrower's Option Loans (LOBOs)

The option to change the terms on £18.95m of the Council's LOBOs was not exercised by the lender.

4.08 Debt Rescheduling

During the 2nd quarter of 2013/14, consideration was given to a potential opportunity to reschedule some of the Council's debt. Although the increase in PWLB repayment rates during the quarter lowered the premium that would apply on premature redemption of loans, the premia was still expensive, therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

The Head of Finance, in conjunction with the Council's treasury advisors will continue to review any potential opportunities for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

5.0 INTERIM INVESTMENT AND PERFORMANCE REPORT

- 5.01 The Welsh Government's Investment Guidance gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.
- 5.02 The maximum investments the Authority had on deposit at any one time totalled £83.3m. The average investment balance for the period was £71.1m and the average rate of return was 0.60%, generating investment income of £212k. The investment income received for the reporting period exceeded the budgeted figure of £201k by £11k.
- 5.03 Investments have been made with UK banks and building societies up to periods of 12 months, as well as utilising investment opportunities afforded by money market funds, instant access accounts, Debt Management Office and other Local Authorities.
- 5.04 The average debt balance held was £172.1m and the average rate paid was 5.42%, generating interest payable of £3.506m in line with budget forecasts.

	Investments		Borrowing	
	Interest received £'000	Interest rate %	Interest paid £'000	Interest rate %
Actual	212	0.60	3,506	5.42
Budget	201	0.60	3,506	5.42
Difference	+11	-	-	-

5.06 *Credit Risk (security)*

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating outlined in the 2013/14 Treasury Management Strategy was A-/A3/A- across rating agencies Fitch, S&P and Moody's.

Counterparty Update (provided by Arlingclose Ltd)

In April Fitch downgraded the UK's long-term sovereign rating by one notch from AAA to AA+, the second of the rating agencies to do so (Moody's had downgraded the UK's ratings in February to Aa1). Where assigned, local authorities' ratings, which benefit from an uplift due to their close and direct links to central government, were also downgraded.

The proposed sale of 632 Lloyds' branches to the Co-op Bank – referred to as Project Verde – fell through in April. These branches were transferred in September to TSB Bank, a new bank which will be sold through a listing on the stock market in 2014.

In the Chancellor's Mansion House speech on 19th June he signalled his intention to sell the government's stake in the Lloyds Banking Group reasonably soon and a 6% stake was indeed sold to institutional investors on 17th September at a price of 75p. The situation was more complicated with RBS since its problems were greater and reflected in its share price. It appeared that a 'good bank' and 'bad bank' split for RBS was being favoured by the Chancellor and sat behind the announcement concerning the departure of RBS Chief Executive, Stephen Hester, who disagreed with that route.

Moody's placed the RBS's long-term of A3 on review for downgrade on 5th July 2013, amid concerns about the impact of any potential breakup of the bank on creditors. Although the probability of losses remains low there is a possibility of capital impairment especially as the government has clearly indicated that it will not put up any further taxable funds. As a precautionary measure the Council has reduced its maximum duration on RBS investments to overnight.

5.07 *Liquidity*

In keeping with the WAG's Government's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts.

5.08 *Yield*

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The Council's investment yield is outlined in 5.02.

6.00 UPDATE ON INVESTMENTS WITH ICELANDIC BANKS

6.01 The Winding up Board of Landsbanki made distributions to the Council as a priority creditor, in February, May and October 2012 totaling £1.76m. A fourth distribution was made in September 2013 bringing the total received to date to £1.95m.

6.02 The Winding Up Board published details of Landsbanki's (LBI's) financial position as at 31st December 2012 on its website. This showed that LBI's assets, including partial repayments already made in respect of priority claims were

greater than the sum of the priority claims. It is therefore still considered likely that UK local authorities will recover 100% of their deposits, although this is still subject to potential future exchange rate fluctuations, which will have an effect on the total amount recovered. The final impact on the Council will not be known until the distribution process is completed which is not likely to be concluded for some years yet.

7.00 COMPLIANCE

- 7.01 The Council can confirm that it has complied with its Prudential Indicators for the period April to September 2013. These were approved on 1st March 2013 as part of the Council's 2013/14 Treasury Management Strategy.
- 7.02 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the period April – September 2013/14. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 7.03 The treasury function operated within the limits detailed in the 2013/14 Treasury Management Strategy with one exception. The 2013/14 strategy permits investing with counterparties rated at A- for a maximum period of 6 months and a limit of £5m per counterparty (in 2012/13 the strategy was to invest with counterparties rated A or above with a limit of £7m per counterparty).

On the 3rd April 2013 an 'on-call account' investment of £7m was made with a counterparty rated by Moody's at A-, which therefore breached our investment criteria. This was a procedural issue and no loss was incurred by the Council as a consequence. Once the error was discovered action was taken immediately to reduce the investment to the agreed limit of £5m and working practices have since been strengthened.

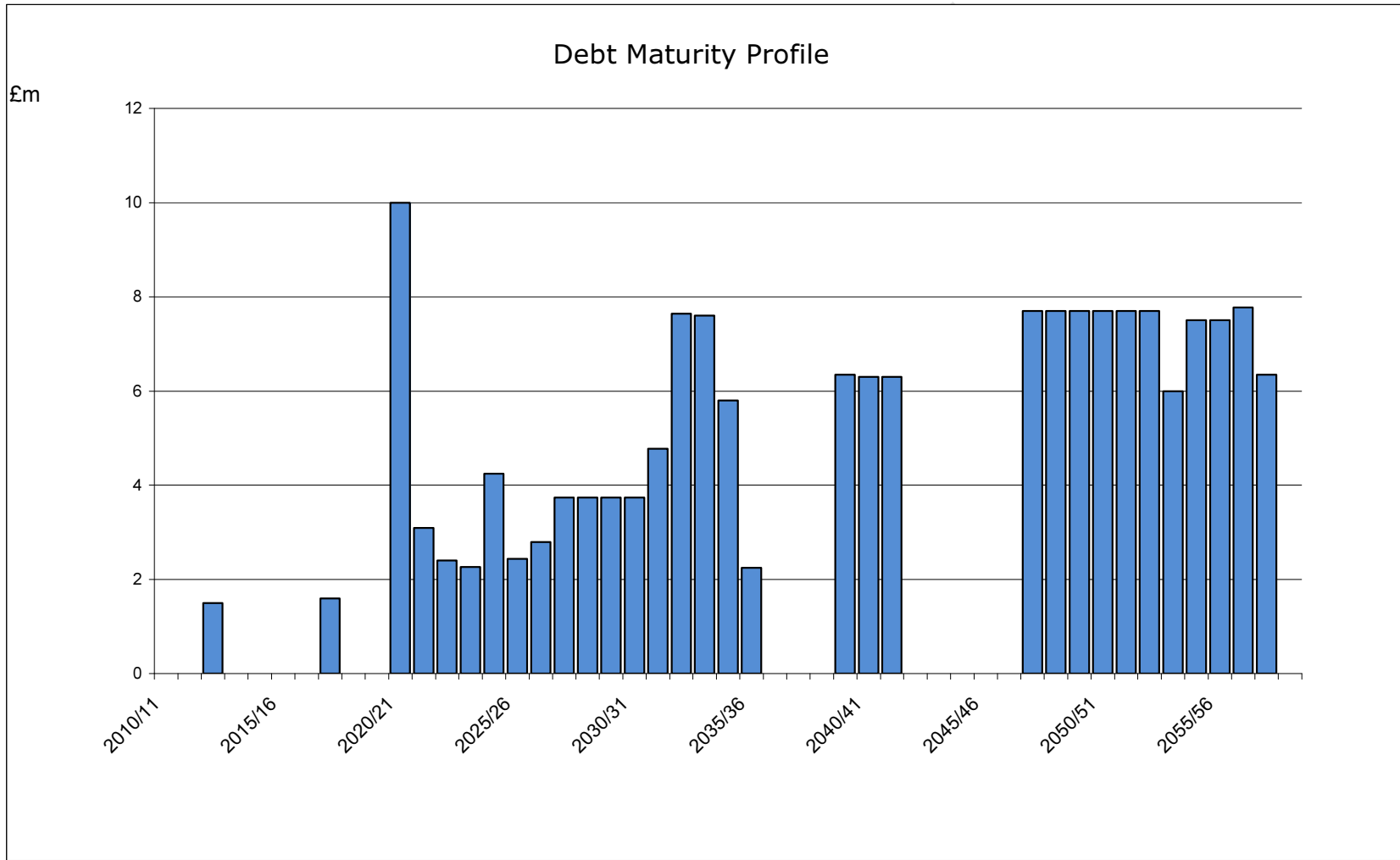
8.00 OTHER ITEMS

- 8.01 Other treasury management related activity that took place during April – September 2013 includes:
- The Head of Finance received a monthly update on treasury activities.
 - The Treasury Management Annual Report 2012/13 was reported to Audit Committee in July. Cabinet and Council reviewed and approved the report during September.
 - Quarterly Treasury Management updates were reported to the Audit Committee.
 - The Council continues to be an active member of both the CIPFA Treasury Management Forum and the CIPFA Benchmarking Club.

- Internal Audit reviewed the treasury management function and concluded that in their opinion the operation provides a substantial level of assurance.
- The treasury management team are currently assessing the merits of an alternative IT system for recording all treasury management activity. Further updates will be provided in future reports to the Audit Committee.

9.00 CONCLUSION

- 9.01 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first half of 2013/14.
- 9.02 As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.



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Flintshire County Council

Appendix 2

Investments as at 30th September 2013 - by maturity date

Counterparty Name	Amount	Start Date	Maturity	Interest Rate	Interest on Investment	Period to Maturity	
	£m						
LANDSBANKI ISLANDS	0.6	22-Jul-08	17-Oct-08	5.82%	16,646.79	Partially Returned	
LANDSBANKI ISLANDS	0.7	1-Sep-08	14-Nov-08	5.70%	17,334.25	Partially Returned	
LANDSBANKI ISLANDS	0.5	8-Sep-08	18-Nov-08	5.67%	11,029.32	Partially Returned	
BANK OF SCOTLAND	2.5	4-Jul-13	4-Oct-13	0.70%	4,410.96	1 month or less	
CAMBRIDGE BUILDING SOCIETY	2.0	1-Jul-13	8-Oct-13	0.42%	2,278.36	1 month or less	
NOTTINGHAM BUILDING SOCIETY	1.0	5-Feb-13	18-Oct-13	0.61%	4,261.64	1 month or less	
NATIONWIDE BUILDING SOCIETY	1.6	16-Apr-13	18-Oct-13	0.52%	4,216.99	1 month or less	
YORKSHIRE BS	2.0	3-Jul-13	18-Oct-13	0.40%	2,345.21	1 month or less	
COVENTRY BUILDING SOCIETY	1.0	1-Aug-13	18-Oct-13	0.44%	940.27	1 month or less	
YORKSHIRE BS	2.0	3-Jul-13	22-Oct-13	0.40%	2,432.88	1 month or less	
CUMBERLAND BS	0.9	8-Jul-13	22-Oct-13	0.42%	1,097.75	1 month or less	
RBS GLOBAL TREASURY FUND	3.6	5-Aug-13	31-Oct-13	0.32%	2,759.59	1 month or less	
IGNIS STERLING LIQ FUND	7.0	2-Apr-13	31-Oct-13	0.44%	17,714.49	1 month or less	
NATWEST SIBA	5.0	3-Apr-13	31-Oct-13	0.50%	14,452.05	1 month or less	
SSGA LIQ FUND	4.0	23-Apr-13	31-Oct-13	0.34%	7,156.48	1 month or less	
HANDELSBANKEN	4.0	3-Jul-13	31-Oct-13	0.40%	5,260.27	1 month or less	
NOTTINGHAM BUILDING SOCIETY	2.0	5-Feb-13	18-Nov-13	0.72%	11,283.29	1-3 months	
CAMBRIDGE BUILDING SOCIETY	1.1	2-Aug-13	18-Nov-13	0.42%	1,367.01	1-3 months	
NATIONAL COUNTIES BUILDING SOCIETY	1.5	5-Jun-13	22-Nov-13	0.56%	3,912.33	1-3 months	
LEEDS BUILDING SOCIETY	2.0	22-Feb-13	28-Nov-13	0.65%	9,936.99	1-3 months	
NATIONAL COUNTIES BUILDING SOCIETY	1.5	5-Jun-13	28-Nov-13	0.57%	4,122.74	1-3 months	
BANK OF SCOTLAND	3.0	5-Dec-12	5-Dec-13	1.60%	48,000.00	1-3 months	
NOTTINGHAM BUILDING SOCIETY	2.0	2-Sep-13	18-Dec-13	0.47%	2,755.62	1-3 months	
PROGRESSIVE BS	2.0	4-Sep-13	18-Dec-13	0.47%	2,704.11	1-3 months	
CAMBRIDGE BUILDING SOCIETY	1.4	4-Sep-13	18-Dec-13	0.44%	1,772.05	1-3 months	
BARCLAYS	1.1	4-Sep-13	20-Dec-13	0.47%	1,499.47	1-3 months	
NATIONWIDE BUILDING SOCIETY	2.1	4-Sep-13	17-Jan-14	0.48%	3,728.22	3 months +	
NATIONAL COUNTIES BUILDING SOCIETY	2.0	14-Feb-13	14-Feb-14	1.20%	24,000.00	3 months +	
PROGRESSIVE BS	1.0	16-Sep-13	10-Mar-14	0.65%	3,116.44	3 months +	
NATIONWIDE BUILDING SOCIETY	1.0	3-Jul-13	17-Apr-14	0.58%	4,576.44	3 months +	
BARCLAYS	1.7	24-Sep-13	28-Jul-14	0.76%	10,881.26	3 months +	
	63.8				247,993.27		
Summary		Total	1 month or less	1 - 3 months	3 months +	12 months +	Iceland
	£m	%	£m	£m	£m	£m	
DEBT MANAGEMENT OFFICE (DMO)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UK	43.4	68.0	18.0	17.6	7.8	0.0	0.0
OVERSEAS	4.0	6.3	4.0	0.0	0.0	0.0	0.0
OTHER LOCAL AUTHORITIES	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ICELAND (LANDSBANKI)	1.8	2.8	0.0	0.0	0.0	0.0	1.8
MONEY MARKET FUNDS	14.6	22.9	14.6	0.0	0.0	0.0	0.0
	63.8		36.6	17.6	7.8	0.0	1.8
		100.0%	57.4%	27.6%	12.2%	0.0%	2.8%

Flintshire County Council

Investments as at 30th September 2013 - by bank

Counterparty Name	Amount £m	Start Date	Maturity	Interest Rate	Interest on Investment	Period to Maturity	Subtotal (£m)
BANK OF SCOTLAND	2.5	4-Jul-13	4-Oct-13	0.70%	4,410.96	1 month or less	
BANK OF SCOTLAND	3.0	5-Dec-12	5-Dec-13	1.60%	48,000.00	1-3 months	5.5
BARCLAYS	1.1	4-Sep-13	20-Dec-13	0.47%	1,499.47	1-3 months	
BARCLAYS	1.7	24-Sep-13	28-Jul-14	0.76%	10,881.26	3 months +	2.8
CAMBRIDGE BUILDING SOCIETY	2.0	1-Jul-13	8-Oct-13	0.42%	2,278.36	1 month or less	
CAMBRIDGE BUILDING SOCIETY	1.1	2-Aug-13	18-Nov-13	0.42%	1,367.01	1-3 months	
CAMBRIDGE BUILDING SOCIETY	1.4	4-Sep-13	18-Dec-13	0.44%	1,772.05	1-3 months	4.5
COVENTRY BUILDING SOCIETY	1.0	1-Aug-13	18-Oct-13	0.44%	940.27	1 month or less	1.0
CUMBERLAND BS	0.9	8-Jul-13	22-Oct-13	0.42%	1,097.75	1 month or less	0.9
HANDELSBANKEN	4.0	3-Jul-13	31-Oct-13	0.40%	5,260.27	1 month or less	4.0
IGNIS STERLING LIQ FUND	7.0	2-Apr-13	31-Oct-13	0.44%	17,714.49	1 month or less	7.0
LANDSBANKI ISLANDS	0.6	22-Jul-08	17-Oct-08	5.82%	16,646.79	Partially Returned	
LANDSBANKI ISLANDS	0.7	1-Sep-08	14-Nov-08	5.70%	17,334.25	Partially Returned	
LANDSBANKI ISLANDS	0.5	8-Sep-08	18-Nov-08	5.67%	11,029.32	Partially Returned	1.8
LEEDS BUILDING SOCIETY	2.0	22-Feb-13	28-Nov-13	0.65%	9,936.99	1-3 months	2.0
NATIONAL COUNTIES BUILDING SOCIETY	1.5	5-Jun-13	22-Nov-13	0.56%	3,912.33	1-3 months	
NATIONAL COUNTIES BUILDING SOCIETY	1.5	5-Jun-13	28-Nov-13	0.57%	4,122.74	1-3 months	
NATIONAL COUNTIES BUILDING SOCIETY	2.0	14-Feb-13	14-Feb-14	1.20%	24,000.00	3 months +	5.0
NATIONWIDE BUILDING SOCIETY	1.6	16-Apr-13	18-Oct-13	0.52%	4,216.99	1 month or less	
NATIONWIDE BUILDING SOCIETY	2.1	4-Sep-13	17-Jan-14	0.48%	3,728.22	3 months +	
NATIONWIDE BUILDING SOCIETY	1.0	3-Jul-13	17-Apr-14	0.58%	4,576.44	3 months +	4.7
NATWEST SIBA	5.0	3-Apr-13	31-Oct-13	0.50%	14,452.05	1 month or less	5.0
NOTTINGHAM BUILDING SOCIETY	1.0	5-Feb-13	18-Oct-13	0.61%	4,261.64	1 month or less	
NOTTINGHAM BUILDING SOCIETY	2.0	5-Feb-13	18-Nov-13	0.72%	11,283.29	1-3 months	
NOTTINGHAM BUILDING SOCIETY	2.0	2-Sep-13	18-Dec-13	0.47%	2,755.62	1-3 months	5.0
PROGRESSIVE BS	2.0	4-Sep-13	18-Dec-13	0.47%	2,704.11	1-3 months	
PROGRESSIVE BS	1.0	16-Sep-13	10-Mar-14	0.65%	3,116.44	3 months +	3.0
RBS GLOBAL TREASURY FUND	3.6	5-Aug-13	31-Oct-13	0.32%	2,759.59	1 month or less	3.6
SSGA LIQ FUND	4.0	23-Apr-13	31-Oct-13	0.34%	7,156.48	1 month or less	4.0
YORKSHIRE BS	2.0	3-Jul-13	18-Oct-13	0.40%	2,345.21	1 month or less	
YORKSHIRE BS	2.0	3-Jul-13	22-Oct-13	0.40%	2,432.88	1 month or less	4.0
	63.8				247,993.27		63.8

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 18 DECEMBER 2013**

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

SUBJECT: **CORPORATE GOVERNANCE**

1.00 PURPOSE OF REPORT

- 1.01 To agree the annual update of the Code of Corporate Governance.
- 1.02 To agree the process for preparing the Annual Governance Statement (AGS) for 2013/14

2.00 BACKGROUND

- 2.01 The Corporate Governance Officer Working Group has two main roles relating to the annual update of the Code of Corporate Governance and the preparation of the AGS. For both roles it prepares the draft documentation for consideration by the Chief Executive, Monitoring Officer and Head of Finance prior to consideration by Audit Committee. The current core membership of this officer working group is shown in Appendix 1.
- 2.02 The Council's Code of Corporate Governance forms part of the Constitution and applies to all aspects of the Council's business. Members and staff of the Council must in carrying out its business conduct themselves in accordance with the high standards expected by the citizens of Flintshire. The code recognises the emphasis placed upon corporate governance by the Welsh Government and is based upon and reflects the various principles in the Chartered Institute of Public Finance & Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) document entitled "Delivering Good Governance in Local Government: Framework".
- 2.03 The Code states that the Chief Executive and Monitoring Officer are responsible for ensuring that it is kept up-to-date by way of annual reviews commencing in October each year. This updating review was initially carried out by the Corporate Governance Officer Working Group followed by consultation with the Chief Executive, Monitoring Officer and Head of Finance. Attached as Appendix 2 is the Code with the proposed updating changes tracked.

- 2.04 The Constitution Committee is midway through a 3 year programmed review of the Council's Constitution. One part of the Constitution due for review in the near future is the Officers' Delegation Scheme. It is the intention to bring a report on this to a future meeting of the Audit Committee.
- 2.05 For each financial year the Council is required to produce an AGS as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance and it also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010. CIPFA and SOLACE have jointly produced a detailed guidance note on the preparation and contents of an AGS.
- 2.06 From the financial year 2011/12 the preparation of the AGS has been coordinated by the Corporate Governance Officer Working Group reporting to the Chief Executive, Monitoring Officer and Head of Finance on its work.

3.00 CONSIDERATIONS

- 3.01 The annual update of the Code of Corporate Governance has received detailed consideration by the Corporate Governance Officer Working Group and this is one of the reasons that there appear to be so many updating changes. The other reason is that it covers the entire governance arrangements of the Council and these arrangements change either through the local choice of the Council or as a result of initiatives by the Welsh Government.
- 3.02 The main updating changes this year are:-
- In the third paragraph of the introduction to include reference to relevant legislation as well as the guidance documents issued by CIPFA/SOLACE.
 - To update paragraph 1.12 in relation to the Council's annual performance report and the council's organisational change programme.
 - To include in paragraph 3.2 reference to the recently adopted local resolution procedure for dealing with internal complaints of a Member not complying with the Members' Code.
 - In 4.8 to reflect the changed terms of reference of the Audit Committee.
 - In 4.10 to reflect the changes to risk management.
 - In 5.4 to reflect the changes to the Council's People Strategy.
- 3.03 In relation to the AGS the process of preparing this for the financial year 2013/14 is about to commence. Since the coordination of the AGS has been undertaken by the Corporate Governance Officer Working Group the Wales Audit Office (WAO) have not required any significant alterations to it when auditing it as part of the Council's Statement of Accounts. In its recent national study of corporate

governance arrangements the WAO, whilst generally complimentary of Flintshire's arrangements, has suggested consideration be given to more Member involvement in the preparation of the AGS. This suggestion led to an informal meeting of the Audit Committee being arranged on the 3 July 2013 prior to formal consideration of last year's AGS at the Audit Committee meeting on the 17 July 2013. In addition to this greater Member involvement towards the end of the process this report is suggesting there ought to be more Member involvement at the start of the process.

- 3.04 Firstly, the committee is being asked to endorse the process for preparation of the AGS. This process is detailed in Appendix 3. Secondly, as indicated in Appendix 3 it is being suggested that in addition to questionnaires being completed by each Head of Service the chairs of the Overview & Scrutiny Committees should also be asked to complete a corporate governance questionnaire as part of the preparation of the AGS. A draft of that questionnaire is attached as Appendix 4.

4.00 RECOMMENDATIONS

- 4.01 For the Audit Committee to agree or amend as appropriate the updated Code of Corporate Governance shown in Appendix 2.
- 4.02 For the Audit Committee to endorse the process for preparation of the AGS as shown in Appendix 3.
- 4.03 For the Audit Committee to agree or amend as appropriate the questionnaire to be sent to Overview & Scrutiny Chairs shown in Appendix 4.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

- 8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 The workload arising from this report can be accommodated within the

existing staffing resources.

10.00 CONSULTATION REQUIRED

10.01 With the Corporate Governance Working Group, Chief Executive, Monitoring Officer and Section 151 Officer.

11.00 CONSULTATION UNDERTAKEN

11.01 With the Corporate Governance Working Group, Chief Executive, Monitoring Officer and Section 151 Officer.

12.00 APPENDICES

12.01 Appendix 1 - Corporate Governance Working Group core membership

Appendix 2 - Proposed tracked updating changes to the code

Appendix 3 - AGS preparation process

Appendix 4 - Draft questionnaire

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

None

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

Corporate Governance Working Group Membership

Peter Evans (Chair)	Democracy & Governance Manager
Vicki Robarts	Performance Team Leader
Karen Armstrong	Policy & Performance Manager
Jonathan Davies	Strategy Accountant
David Webster	Internal Audit Manager

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CODE OF CORPORATE GOVERNANCE

Introduction

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

Flintshire County Council recognises the need for sound corporate governance arrangements and over the years Members and senior Officers have put in place policies, systems and procedures designed to achieve this and the stewardship of the resources at their disposal. In adopting a Code, the Council has drawn together all those elements of corporate governance which were already in place.

This code recognises the emphasis placed upon corporate governance by the Welsh Government and also takes into account relevant legislation and the contents of guidance documents which have been issued as follows:-

- Delivering Good *Governance* in Local Government: Framework – CIPFA/SOLACE
- Delivering Good Governance in Local Government – Guidance Notes for Welsh Authorities – CIPFA/SOLACE
- The Annual Governance Statement – A Rough Guide for Practitioners issued by the CIPFA Finance Advisory Network

The Council's Corporate Governance arrangements are reviewed annually by way of a self-assessment. The self-assessment is undertaken by senior officers of the Council and used to inform the Annual Governance Statement reported each year to the Council's Audit Committee and Council.

The Code forms part of the Constitution and applies to all aspects of the Council's business. Members and staff of the Council must, in carrying out its business, conduct themselves in accordance with the high standards expected by the citizens of Flintshire and to the aspirations set out below.

The Code is based upon and reflects the various requirements that underpin the six core principles contained in the document entitled “Delivering Good Governance in Local Government: Framework”. Those six core principles are:-

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing capacity and capability of Members and Officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

Many of the requirements that underpin the six core principles are inter-related and the various sections of the Code need to be read together to obtain a full understanding of the arrangements in place. The Code specially identifies the actions to be taken for each of the six core interlocking principles governing our business.

The Cabinet in consultation with the Constitution Committee were responsible for approving this Code and the Chief Executive and Monitoring Officer are responsible for ensuring that it is kept up to date by way of annual reviews commencing in October each year.

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

1.1 The County Council is committed through the carrying out of its general and specific duties and responsibilities and its ability to exert wider influence, to:-

- Work for and with its communities.
- Exercise leadership in its communities, where this is appropriate.
- Undertake an “ambassadorial” role to promote the well-being of Flintshire where appropriate.
- Engaging and working in partnership with other organisations and authorities for the benefit of its communities.

1.2 The Council will maintain effective arrangements:

- For explicit accountability to stakeholders for the Authority’s performance and its effectiveness in the delivery of services and the sustainable use of resources.

- To demonstrate integrity and openness in the Authority's dealings with partnerships established with other public agencies and the private/voluntary sectors.
- To demonstrate inclusivity by communicating and engaging with all sections of the community to encourage active participation.
- The impact of the county vision as set by the Local Service Board (LSB) is monitored and reviewed by the LSB and the Council's Cabinet as each partner body translates the vision into its working and governance arrangements.
- Ensure that the partnership arrangements below the community strategy are supported by a common vision.

1.3 An audited and signed Statement of Accounts is published on an annual basis to reflect a true and fair view of the Authority's financial position, as judged by the Council's external auditor (currently Wales Audit Office). Contained within the Statement of Accounts is a statement of responsibilities which includes:

- Compliance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.
- The Authority manages its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Suitable accounting policies have been selected and consistently applied.
- Ensuring judgements and estimates which have been made were reasonable and prudent.
- Reasonable steps have been taken to prevent and detect fraud and other irregularities

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1.4 An Annual Governance Statement is presented to Audit Committee and Council for approval every year. Once approved the Statement is signed by the Leader of the Council and the Chief Executive. The statement explains how the Authority has complied with the Code of Corporate Governance, and met the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

1.5 The Council Planning Framework has been developed to incorporate both the Council's accountability arrangements through i) annual and periodic reporting of performance and risk and challenges in relation to the Council's administration and improvement priorities and ii) internal structural arrangements to support improvement and change through strategies and plans such as the HR People Plan, ICT Strategy and Medium Term Financial Strategy. Both these elements of the Council Planning Framework are encapsulated within our Directorate Plans which include both the 'what and how' of planning, to provide our services and the quarterly reporting of

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progress against these plans. The contents of the Council Plan (Governance) Framework have been agreed by Cabinet.

1.6 The Medium Term Financial Strategy (MTFS) was formally adopted by the Council in June 2011; the strategy has been translated into Welsh and has been published on the Council's website along with the Council priorities and improvement plan. The MTFS is a critical part of the Council's overall Governance Framework. It sets out the financial resource strategy by which the Council will deliver its vision as strategic objectives over the medium term. Its purpose is to enable the Council to plan ahead by identifying when new investment is required, where activity will increase or decrease and which new policies or targets (external or internal) will be set by the organisation. Integral to the MTFS is the Medium Term Financial Plan (MTFP) which:-

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- i) Forecasts for a defined period available resources, financial pressures (which arise from conscious choice, or uncontrollable demand) and opportunities for efficiencies/savings for both revenue services and capital programme.
- ii) Provides an analysis of the 'gap' between estimated future funding and expenditure.
- iii) Identifies specific actions required to balance budgets and manage resources within the overall framework of the Medium Term Financial Strategy.

The MTFP is an ever evolving forecast of the Council's financial position. The latest published MTFP is at 30th September 2013. The Council plans to develop a fuller and more priority based MTFS in 2014.

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1.7 The County Council's financial and operational reporting processes are independently examined by:

- The Wales Audit Office whose annual audit letter is presented to the Audit Committee and their audit certificate is included in the annual Statement of Accounts.
- The Council's independent Internal Audit who report regularly to the Audit Committee including an annual report.
- Other external review agencies such as ESTYN and the Care and Social Services Inspectorate Wales (CSSIW).

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1.8 The Council's Overview and Scrutiny Committees have a significant input into the review and development of service delivery issues and policy development. This role includes the examination of performance outturn and budget monitoring which assist in assessing success and failure. These are some of the checks and balances which have been put in place. External regulations add to the process through the publication of reports on service and performance.

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1.9 Other ways in which the Council measures and monitors the quality of its services includes:-

- The development of quality assurance models.
- A more focused approach to audit and inspections.
- Customer Satisfaction Surveys.
- The CIPFA Benchmarking Club.
- Reports on performance, risk and achievement of Improvement Objectives (priorities) to Overview & Scrutiny Committees and the Cabinet.

1.10 The Council strives to ensure continuous improvement in the delivery of its services through performance measurement and management, establishing service quality standards, creating clear lines of accountability and undertaking customer satisfaction surveys. The Council has a procedure for dealing with Compliments, Comments and Complaints which enables complaints to be recorded on a central database and monitored corporately and within each directorate.

1.11 A central register of contracts and lists of defaults is being developed to assist in contract monitoring and review. In some areas the Council has put in place arrangements and backup capacity to respond to service or market failure.

1.12 A number of methods are employed to demonstrate value for money:-

- The annual Improvement Plan provides detailed information of the Council's plans and aims, and the annual Performance Report provides a general performance and progress profile as to how the Council is improving the level of efficiency and effectiveness of its services.
- An annual budget setting process is in place and all directorates have monthly meetings to review their budgets.
- The Terms of Reference of the Council's Overview & Scrutiny Committees enable them to review, scrutinise, question and make recommendations in relation to their areas of activity including policy, finance, risk and governance.
- A value for money strategy is being developed as part of the Council's organisational change programme.

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1.13 The Wales Audit Office review the Council's performance and value for money arrangements through their Improvement Assessment work and report their findings in various letters and their Annual Improvement Report.

1.14 Various impacts such as equality, financial, personnel, environmental and anti-poverty of the Council's policies, plans and strategies are identified on all committee reports. In addition, Equality Impact Assessments are undertaken and published in relation to policy and business decisions.

1.15 The Council has adopted the principle that in the conduct of public business and the administration of justice in Wales it will treat the Welsh and English languages on a basis of equality. The Council's Welsh Language Scheme

sets out how the Council will give effect to that principle when providing services to the public in Wales, and in the conduct of its internal business. The Council has made a public commitment to monitor and review the implementation of its Welsh Language Scheme and to report annually to the Council's Cabinet and to the Welsh Language Commissioner on its performance.

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

2.1 The Council recognises the need to have effective political and management structures and processes to govern decision-making and the exercise of authority within the organisation. It has therefore established a number of arrangements to secure this.

2.2 The Council's Constitution includes the names and a description of the portfolios held by the Leader and other Members of the Cabinet. Their respective roles have been agreed and documented. Role descriptions have also been agreed for all chairs and vice-chairs of Overview and Scrutiny Committees, regulatory committees and Members of Overview and Scrutiny Committees are similarly documented.

2.3 Job descriptions are in place for all Senior Officers of the Council and the senior management structure is kept under review to ensure its continued appropriateness.

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2.4 The Constitution includes a Delegation Scheme which identifies those decisions reserved to the County Council, those local choice issues which are decided by the County Council and those by the Cabinet at the Council's discretion. Local choice issues are reviewed at the Council's Annual Meeting. The Delegation Scheme identifies those general and specific delegated powers given to Chief Officers, Heads of Service and other Senior Officers and is subject to frequent review.

2.5 The Council has appointed a Chief Executive as Head of the Paid Service and responsible for all aspects of operational management. The Head of Finance is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effectual system of internal financial control fulfilling the Council's requirements under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988. The Head of Legal & Democratic Services has been designated as the statutory Monitoring Officer and is accountable for the statutory requirements of that role under Section 5 and 5(a) of the Local Government and Housing Act 1989. The three Statutory Officers consult each other as required by their statutory roles and meet regularly to consider the work of the Cabinet.

- 2.6 The Council has put in place a number of mechanisms to ensure effective communication between Members and Officers in their respective roles. A Protocol on Member/Officer Relations provides guidance for Members and Officers covering the more common situations that tend to arise. The Protocol encourages the establishment of sound and effective working relations for engendering mutual respect and the observance of the highest standards of behaviour and courtesy towards each other. It gives advice to Officers on the information that Members are entitled to expect, for the purposes of undertaking their various roles. It includes a section relating to communications and emphasises the need to maintain confidentiality where such an expectation exists. It also recognises the need of Members to be apprised of local issues affecting their Ward including public meetings and consultation exercises.
- 2.7 Briefing sessions are provided to Chairs and Vice-chairs of Committees in advance of committee meetings and wider briefings are organised from time to time with Group Leaders, members of the Cabinet and Ward Members in relation to specific issues.
- 2.8 The levels of Member allowances are set annually by the Independent Remuneration Panel for Wales. Their specific application to the Council is considered at the annual meeting and then detailed in the Schedule of Member Remuneration which forms part of the Constitution.
- 2.9 The terms and conditions and the remuneration of Officers are negotiated nationally. However a job evaluation exercise covering former manual and former administrative, professional, technical and clerical staff is **nearing completion** pursuant to a single status agreement. The project is central to the development of an equality proofed pay structure and is reaching its final stage.
- 2.10 The Chief Executive leads the management of the Council through its Corporate Management Team which through the review of the Council Improvement Plan, Directorate and Service Plans, is responsible for communicating the Council's shared values with the community and the Council's partners. It communicates these through:-
- Partnership working
 - Reports to the Council and its committees and the Cabinet
 - Meetings with the Flintshire Joint Trades Union Council
 - Meetings of the Joint Consultative Committees
 - Flintshire Focus
 - **Change Exchange** and Team Brief
 - Staff appraisal process
 - Senior Management Team and other team meetings
- 2.11 Following the Annual Meeting of the Council, Members from all political groups are nominated to undertake roles on various outside bodies. Guidance has been provided to assist Members in carrying out those roles and responsibilities and separate guidance for those nominated as company

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directors. Whenever a new partnership is created, care is taken to ensure that its legal status is clear, that it has appropriate terms of reference and that representatives are aware of the extent to which they can bind the Council. The Cabinet has set and agreed a protocol for the governance of partnership working including the full involvement of appropriate Overview & Scrutiny Committees

3. **Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

3.1 The County Council recognises that the openness, integrity and accountability of individuals within a local authority form the cornerstone of effective corporate governance. Also the Council's reputation depends on the standards of behaviour of everyone in it, whether Members, employees or agents contracted to it.

3.2 Members and Senior Officers are therefore expected to maintain shared values and exercise leadership by conducting themselves as role models within the County Council to follow. As a result:-

- The Council has a Code of Conduct governing the behaviour of all Members and co-opted Members of the County Council. This Code requires all Members to declare personal (and prejudicial where appropriate) interests in any matters which come before them for consideration. Where the interest is prejudicial Members must withdraw from the room where the discussion is taking place unless they have received a dispensation from the Standards Committee. Interests must be declared in all meetings including informal meetings with Officers and in correspondence.

- A Local Resolution Procedure has been adopted to resolve the less serious internal complaints of a Member not complying with the Code.

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- The Code applies to Members in their dealings with other organisations to which they have been nominated except where that organisation has its own separate code when that code will apply.

- A supplementary Code has been adopted to deal specifically with planning matters.

- The Council's Standards Committee includes six co-opted members, one of whom is the Chairman of the Committee, with the responsibility for monitoring the operation of the Members' Code and providing training and guidelines on it to all Members.

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- Officers are subject to a Code of Conduct which includes a wide range of standards of behaviour required of them. These standards include

requirements to perform their duties diligently, to respect the dignity and rights of the public, customers and other employees at all times; and to serve the public courteously, efficiently and impartially. There are other requirements relating to the use of Council resources, gifts and hospitalities, outside commitments, conflicts of interest, confidentiality, political neutrality, relationships with Members and general conduct.

- 3.3 The Leader and Cabinet have set up a number of advisory boards to assist the Cabinet in the development of policy and the development of services.
- 3.4 The County Council has in place a timetable of meetings which seeks to ensure that the roles described above can be exercised effectively. The full County Council is scheduled to meet every 10 weeks, special meetings also take place when they are required, Cabinet meets every four weeks and each of the six Overview and Scrutiny Committees meet regularly several times a year. Details of Overview & Scrutiny work is contained in an annual report reported to Council each year and available on the Council's website.
- 3.5 The County Council has adopted an Anti-Fraud and Corruption Policy which is reviewed and updated periodically. Its key elements are:-
- To promote a culture of honesty and opposition to fraud and corruption within the Council.
 - To provide arrangements whereby concerns can be raised with senior Officers on a confidential basis.
 - To ensure arrangements are in place for the prevention of fraud and corruption within the Council, including internal control mechanisms and effective recruitment procedures.
 - To set up basic principles to apply where instances of fraud are detected, including the involvement of the Police and the taking of disciplinary measures.
 - To remind staff to be alert to possible causes of fraud and corruption.
- 3.6 Processes are also in place to ensure the continued operation of arrangements for ensuring that Members and employees are not influenced by prejudice, bias and conflicts of interest. In particular:-
- Members receive advice on a regular basis from the Standards Committee on the application of the Members' Code of Conduct.
 - A Code of Planning Practice has been adopted.
 - A Protocol has been agreed and published giving guidance to Members on dealings with Developers and Contractors.
 - A Members' Register of Interests is maintained.

- There is a formal opportunity for Members at the beginning of all meetings to declare interests.
- Officers are required to register any interests, gifts and hospitality on registers kept by their Heads of Service. Members of the Corporate Management Team and Heads of Service should inform the Monitoring Officer of any interests, gifts and hospitality they receive which will be kept on a central register.

3.7 The requirements and terms of the various codes and policies are drawn to the attention of those who need to know about them in a variety of forms:-

- Through formal Member training, in the case of the Members' Code of Conduct.
- Through publicity of the Officers Code of Conduct, Whistle Blowing Policy and Anti-Fraud and Corruption Policy on the County Council's intranet site.
- Through the County Council's staff induction programme.

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3.8 In addition to the Codes of Conduct and Protocols referred to above, the Council seeks to maintain high standards in the conduct of its business and avoid prejudice, bias and conflicts of interest through:-

- The adoption and publication of an Equal Opportunities and Diversity Policy and the provision of training.
- The adoption of a Strategic Equality Plan and annual reporting.
- Through the adoption and monitoring of the Council's Welsh Language Scheme and Policy.

3.9. The Local Service Board has developed a Strategic Partnership Governance Framework that considers:

- Procedures for forming or joining any Strategic Partnership
- Strategic Partnerships Agreements
- Performance Management
- Risk Management
- Resource Management
- Information Sharing and Communication
- Annual Partnership Review / Self Assessment

The purpose of this is to provide a consistent approach to Strategic Partnership Governance.

This Framework is now being used by:

- Children & Young Peoples Partnership
- Community Safety Partnership (for both Flintshire and Wrexham)
- Local Safeguarding Childrens Board (for both Flintshire and Wrexham)
- Flintshire Housing Partnership
- Health, Social Care & Well-being Partnership
- Regeneration Partnership
- Youth Justice Service Executive Management Board

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

4.1 The Council has also adopted a Constitution which:-

- Clearly defines those functions which are reserved to the full Council for decision, those decisions which will be taken by the Cabinet or its individual members, and those which are delegated to senior Officers. In this respect, the basic principle on which these rules are established is that the full Council sets the strategic direction through the adoption of policies and the budget, the Cabinet takes major decisions within the overall policy and budget framework and helps to develop new policies and Officers take the day to day decisions within the policy and budget framework.
- Established through the six Overview and Scrutiny Committees a robust overview and scrutiny role. These bodies have between them powers to review and scrutinise decisions relating to any of the Council's activities, including considering policy issues referred to them by the Council or the Cabinet.
- Sets out clearly the role of the Leader and Cabinet and in particular makes it clear that they are responsible for providing effective strategic leadership to the Council and for ensuring that the Council successfully discharges its overall responsibilities for the activities of the organisation as a whole.
- Ensures through Financial Procedure Rules and the Scheme of Delegated Powers that there is effective control over the day to day conduct of the Council's business by requiring Member approval for decisions outside defined parameters.
- Makes clear the role of all Councillors both in their formal decision making/ policy development role and as local members and ensures through the Schedule of Member Remuneration that they are properly remunerated for this work.

4.2 The Constitution sets out the responsibilities and procedures for decision making. Decisions which can be taken by the Cabinet, Overview and Scrutiny and other committees and full Council are clarified in Part 3 of the Constitution. The fundamental principles to be applied in all decision making are as follows:

- Proportionality (ie. the action must be proportionate to the desired outcome).
- Due consultation and the taking of professional advice from Officers.
- Respect for human rights.
- A presumption in favour of openness.
- Clarity of aims and desired outcomes.
- Consideration of alternative options.
- Recording reasons for the decision, including details of any alternative options considered and rejected.
- In addition the Council's policies and protocols set out the processes that must be followed in decision making eg. in relation to planning applications processes are detailed in the Flintshire Planning Code of Best Practice.

4.3 The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is divided into 20 articles which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are provided in rules and protocols at the end of the Constitution.

4.4 The decision making process is clearly explained on the Council's web site.

| 4.5 The Constitution contains comprehensive Contract and Financial Procedure Rules governing the process to be adopted in conducting the Council's business; these are further supported by more detailed local codes, protocols and notes of guidance.

4.6 The Constitution sets out clear protocols and codes of conduct to ensure that the implications of supporting community political leadership for the whole Council are acknowledged and resolved, including:

- Members' Code of Conduct
- Standards Procedures
- Pre-election Protocol
- Flintshire Planning Code of Best Practice
- Protocols for Overview and Scrutiny Committees including:-
 - Attendance of Members and Officers at Overview and Scrutiny Committee meetings
 - Dealing with minority reports within Overview and Scrutiny
 - Cabinet Members attending meetings of Overview and Scrutiny Committees

- Members placing items on an agenda of an Overview and Scrutiny Committee
- Local Member/Officer Protocol

4.7 In addition, the Council's Infonet site has guidance on, for example:-

- Equalities
- Harassment
- Speaking up about wrongdoing (Whistle Blowing)
- Violence at Work
- Health and Safety at Work
- IT Code of Practice
- Data Protection

4.8 The Council has an Audit Committee consisting of 7 politically balanced Members and a lay member. The Chair and Vice Chair are chosen by the Committee itself from amongst the opposition group(s), non-aligned Councillors, or lay member. It meets on a regular basis and is advised by the Council's Internal Audit Manager, and is normally attended by representatives of the Council's external auditors. All Members receive training and it is a requirement that only named and trained substitutes are allowed.

The Committee's terms of reference include those prescribed by the Local Government (Wales) Measure 2011 and were agreed by the Council. They give the committee the following functions:-

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- Review the effectiveness of the Authority's systems of corporate governance, internal control and risk management systems, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements;
- Oversee the reporting of the statutory financial statements process to ensure the balance, transparency and integrity of published financial information, and to review the financial statements prepared by the authority and recommend them to the County Council;
- Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context;
- Review and scrutinise the County Council's financial affairs, and to make reports and recommendations on them. The role of the committee is to assure the budgetary control systems of the Council rather than the scrutiny of the use and value for money of expenditure which is the role of the respective Overview and Scrutiny Committees.

Deleted: <#>Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs¶
<#>Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements¶
<#>Oversee the authority's audit arrangements and review its financial statements¶

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4.9 The Audit Committee is further supported in the discharge of its functions by:-

- Having appropriate arrangements in place for delivery of an adequate and effective Internal Audit function and ensuring adequate reporting arrangements to safeguard its independence.
- An up to date risk based Internal Audit Plan.

- Systematic risk assessments in all areas of the Council's activities; both at a strategic level supporting the Council's improvement priorities and at an operational Head of Service level.
- Clear Terms of Reference.
- External Auditors who annually consider the Council's approach to legality, its response to major legislation and any matter of legality relevant to the Audit of financial transactions and the outcome is considered by the Audit Committee.
- Appropriate training for Members of the Audit Committee.

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4.10 The Council has identified and evaluated its strategic risks in relation to the priorities within the Improvement Plan. These form the basis of the Council's strategic risk register. Additionally, operational risks are captured and monitored through the Heads of Service plans; and partnership and project risks are captured and reported to the appropriate boards.

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Deleted: a risk register entitled Strategic Assessment of Risks and Challenges. This document provides the foundations for both the Council Plan and the Regulatory Plan. It defines and details the risks around the Council's priorities for change and improvement and is supported by our business planning processes and disciplines of service planning, risk management and financial monitoring and review.

4.11 The Council has developed a resilient approach to Business Continuity including:

- The development of a Corporate Business Continuity Plan which provides the overall framework within which the Business Continuity Plans operate and identifies the actions to be taken to aid recovery during a major business interruption e.g. loss of IT or accommodation.
- The identification of Mission Critical Services and development of Plans for those services which must be maintained or recovered as a priority should a business interruption occur e.g. severe weather.

Both the above are periodically tested through training and scenarios and lessons applied through these and in year events.

Deleted: The Strategic Assessment of Risk and Challenges comprises three categories:

1. **Community Leadership** – critical local issues which cannot be solely delivered by the Council (e.g. affordable housing, Community Strategy review, public health and primary health care).
2. **Council Delivery** – public service issues which are largely within the control and responsibility of the Council (e.g. housing, school buildings, waste management).
3. **Council Governance** – issues of organisational governance and management (e.g. finance, human resources, information and communications technology).

4.12 The Council has a Whistle Blowing Policy which is reviewed and updated periodically. All members of staff have access to the policy which aims to:-

- Encourage staff, contractors and suppliers and partners to feel confident in raising serious concerns and to question and act upon concerns.
- Provide avenues for people to raise those concerns and receive feedback on any action taken.
- Ensure that people receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied.
- Reassure those raising concerns that they will be protected from possible reprisals or victimisation if they have a reasonable belief that they have raised any concern in good faith.

4.13 The Council actively recognises the limits of lawful activity placed upon them whilst also striving to utilise powers to the full benefit of their communities through:-

- Legal advice in the preparation of Council, Committee and Cabinet reports.
 - The availability of legal advice at meetings of the Council, the Cabinet and various Committees.
 - The pro-active work of the Council's Legal Service and its close working relationship with service managers.
 - Professional development and training (including multi-agency training for Children's Services staff in particular).
 - The Council's policies and protocols set out the processes.
- 4.14 The Overview & Scrutiny function has developed as a critical friend, providing constructive challenge in order to contribute to continuous service improvement. This role is discharged both through consultation by the Cabinet and Directors and also through the 'calling in' of Cabinet decisions by the 6 functional Overview & Scrutiny Committees. Each of those Committees engages in performance monitoring and management through the consideration of appropriate items such as performance indicators and out turns and risk issues. The work programmes of Overview & Scrutiny are updated and published on a regular basis and there is a dedicated team of Officers to support the function.
- 4.15 Other Committees will take decisions based upon detailed reports with any late information being referred to in the minutes. Overview and Scrutiny Committees when undertaking work requested by Council or the Cabinet or when undertaking their own investigations will agree reports containing the evidence which was considered to be material.
- 4.16 The Cabinet and County Council reports will contain all the information, evidence and comments needed to take decisions. The decisions made by Officers under delegated powers will be documented on files or where of a significant nature be incorporated in Delegated Action Forms which will be reported to the Cabinet for information purposes.
- 4.17 The Monitoring Officer and Deputy Monitoring Officer are available to give advice to Members and staff on conflicts of interest that might arise from time to time. Guidance is also available on the Council's Infonet.
- 4.18 We have a set of customer care standards supported by a complaints procedure supported by a central database system which aims:-
- To make it easy for anyone to make a comment, complaint or a compliment.
 - To solve problems as close to where they occur as possible, and pass back compliments to the right people.
 - To prevent problems happening again and also encourage good practice.
- 4.19 Monitoring of the arrangements set out above is carried out in a number of ways, particularly:-

- Through the Corporate Complaints Officer in the case of compliments, comments and complaints.
- Through the Standards Committee, in the case of the Members' Code of Conduct.
- Through the Monitoring Officer, in respect of the Whistle Blowing Policy.
- By Internal Audit, in the case of the Anti-Fraud and Corruption Strategy.

4.20 Member Services provide a support service to Members in relation to their ward issues.

4.21 The Council has developed a separate complaints handling system for social services matters with three stages. The final stage involves an appeal to an Independent Panel.

4.22 There are statutory appeal processes involving independent panels for school exclusions and admissions.

5. Developing capacity and capability of Members and Officers to be effective

5.1 Generic one day induction sessions are provided for all new employees in groups. Those induction sessions include modules comprising equalities and diversity awareness, customer care and governance.

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5.2 After County Council elections a Member induction programme is devised and delivered. The Council ensures that both Members and Officers have the skills required to undertake their roles and that those skills are developed on a continuing basis to improve performance through:-

- Staff appraisal as part of a performance management system which also identifies training and development needs and how these will be met.
- Induction training for officers
- The development of leadership and management behavioural competencies
- Development and training programmes, including those provided by professional organisations for both Members and Officers
- Management Development Programme for Officers
- Member induction training.
- A mentoring system for Members
- An annual Member Development Programme
- The Council's Member Development Strategy
- Training on the Members' Code of Conduct
- Specific training for Members on planning, licensing, audit and risk management.

Deleted: <#>The development of a new recruitment and selection process for the appointment of Officers.¶

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5.3 The Council benefits from its membership of the Welsh Local Government Association which provides support and assistance over the whole range of Council functions, partnership working, policy development and liaison with the Welsh Government. CIPFA/SOLACE, Lawyers in Local Government and other professional associations also assist and support statutory and other service officers in performing their roles.

Comment: Body has been renamed

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5.4 A People Strategy and underpinning action plan, which aims to ensure that employees deliver services that meet existing and future demands has been developed to run until 2014. The HR Business Partner, aligned to each Directorate, works in partnership with Directorate Management Teams to develop and implement activities under the People Strategy at local / service level. There is a nominated officer in each service area who is responsible for monitoring specific elements of the plan, for example, the completion of individual employee appraisals.

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5.5 The Council wishes to encourage individuals from all sections of the community to engage with and contribute to and participate in the work of the Authority and seeks to achieve this aim through:-

Deleted: and there is an Officer in each department responsible for co-ordinating the Plan and monitoring progress in relation to annual staff appraisals and half yearly updates. ¶

- It's Community Strategy and its review through extensive consultation.
- Supporting Communities First programmes to enable people to participate effectively in their own communities.
- The development and implementation of a consultation and engagement framework and guidelines/policy document.
- The adoption of a set of core consultation and engagement principles.

5.6 The Council ensures that career structures are in place for all staff and encourages participation and development through:-

- development of a Corporate Performance Management framework
- development of a People Strategy
- periodic restructuring of the Council's senior management
- continuous professional development

6. Engaging with local people and other stakeholders to ensure robust public accountabilities

6.1 The Council will enhance arrangements to demonstrate the levels of accountability in the provision of services through:-

- The Community Strategy
- The Council's Improvement Plan
- Directorate and Service Plans
- Clear statements of roles and accountabilities in job descriptions of staff
- Clear statements of the roles of Members in their various offices
- Unambiguous provisions in partnership and service level agreements
- Terms of reference of committees

6.2 The vast majority of reports are considered in public and in the rare cases where this is not the case, the Committee has resolved to exclude the press and public after the Monitoring Officer or Deputy Monitoring Officer have decided there is a proper legal basis for doing so.

Deleted: Legal Officer advising the Committee follows a process in which he/she is required to demonstrate that appropriate criteria have been taken into account in considering the public interest test and the

6.3 The Council's Overview and Scrutiny Committees produce an annual report on their work which is considered by the Council.

6.4 The Council has established clear channels of communication with all sections of the community and other stakeholders and put in place proper monitoring arrangements to ensure they operate effectively.

• The Council has many ways of communicating with its citizens and stakeholders, including:

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Deleted: and the Corporate Communications Team has developed a Communication Strategy

- Publications and leaflets
- Website
- Your Community, Your Council – household newsletter
- Social Media
- Events
- Established links and regular meetings with local interest groups/forums.
- Invitation to members of the public to submit issues they consider should be considered by Overview and Scrutiny Committees
- The Overview and Scrutiny Team has in recent years given presentations about Overview and Scrutiny to local schools and Town and Community Councils.

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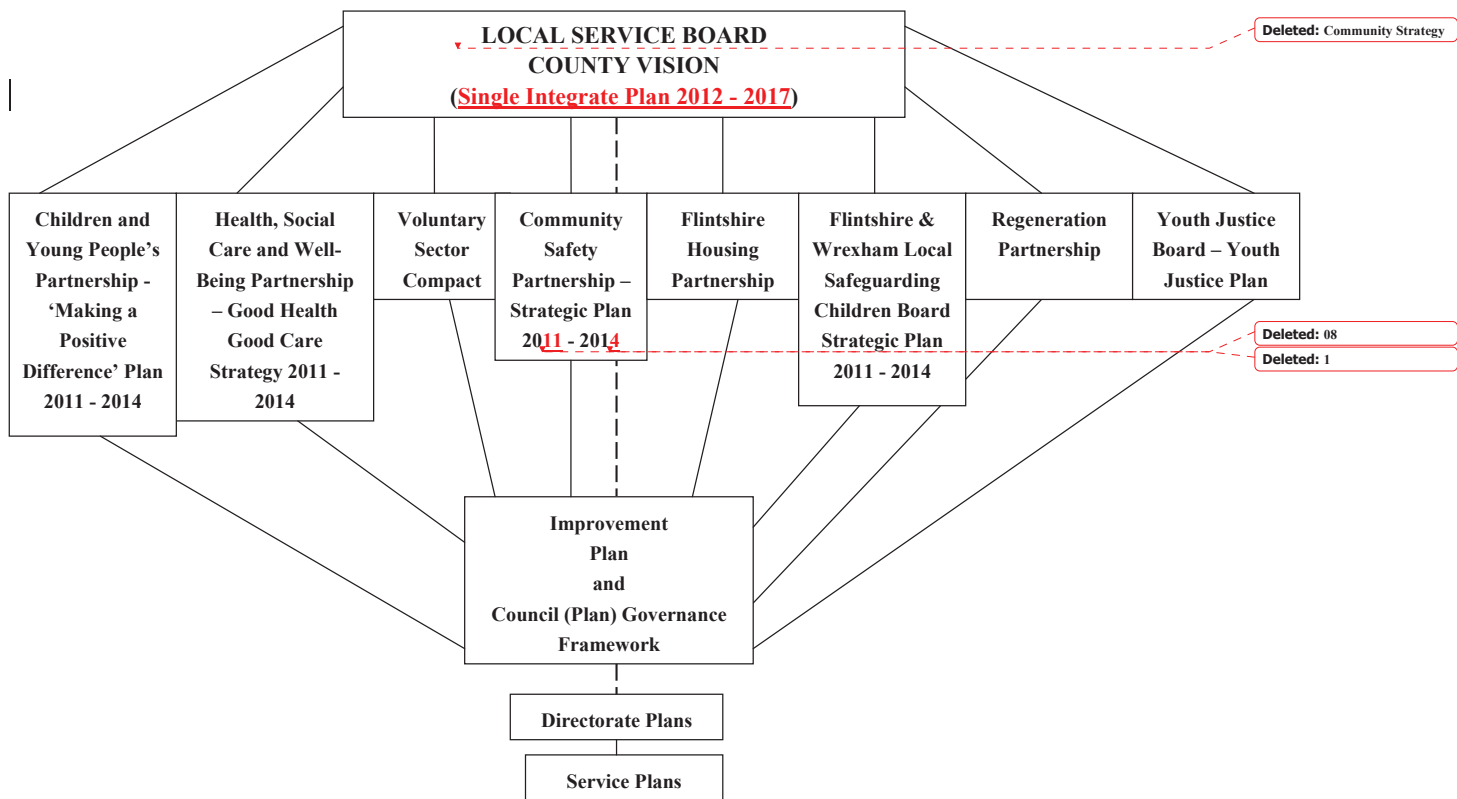
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Public Question Time

• Recognising the value of media as a method of communicating information to the public and using news releases, statements and media briefings to do this.

• Consultation on the budget process with local stakeholders (residents and businesses) to help shape its budget proposals.

Deleted: 6.5 The Council continues to focus on five key areas of internal and external communication, namely workforce communication, media relations, public information and promotion, consultation and corporate identity.¶
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Code of Conduct last amended October 2013

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Process for Preparation of AGS

Date	Steps
18 December 2013	Report to Audit Committee for endorsement of process
Late December 2013	<ul style="list-style-type: none"> • Send out questionnaire to all Heads of Service for self assessment and obtaining information/evidence. • Send out questionnaire to Overview & Scrutiny Chairs
February 2014	<ul style="list-style-type: none"> • Where appropriate internal challenge by the Working Group of the questionnaires returned by Heads of Service. • Gathering of further information/evidence by the Working Group
March/April 2014	Working Group prepare draft AGS in the light of information/evidence provided and results of internal challenge.
May 2014	Draft AGS considered by the Chief Executive, Monitoring Officer and Section 151 Officer.
June 2014	Working Group amend draft AGS as a result of consideration by Chief Executive, Monitoring Officer and Section 151 Officer.
Early July 2014	Informal consideration of AGS by Audit Committee members
16 July 2014	Report to Audit Committee with draft AGS
August 2014	Provide information and assist Wales Audit Office in its consideration of AGS
September 2014	AGS reported to County Council

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ANNUAL GOVERNANCE STATEMENT

QUESTIONNAIRE

1. Section 5 of the attached AGS gives the significant governance issues as at April 2013. Where any of those issues relate to the area of responsibility of your Overview & Scrutiny Committee are you aware whether those issues have been satisfactorily managed during 2013/14?

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.....
.....
.....

2. In the financial year commencing 1 April 2013 are there any governance issues or concerns that your Overview & Scrutiny Committee has identified? (This may relate to a lack of proper financial controls or a lack of awareness of provisions in the Council's Constitution, or concerns over the management of individual risks for example).

.....
.....

- a) If so, how were they addressed?

.....
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.....
.....

- b) Are any such issues or concerns still outstanding?

.....
.....
.....
.....

3. In your individual capacity have you identified any governance issues/concerns in the year commencing 1 April 2013?

.....

a) If so, how were they addressed?

.....

.....

.....

b) Are any still outstanding?

.....

.....

.....

Please return this questionnaire to Peter Evans by the end of January 2014

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 18 DECEMBER 2013**

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

SUBJECT: **INFORMAL MEETING BETWEEN AUDIT COMMITTEE MEMBERS AND OVERVIEW & SCRUTINY CHAIRS/VICE CHAIRS**

1.00 PURPOSE OF REPORT

- 1.01 To report back on the informal briefing meeting between Audit Committee members and Overview & Scrutiny Chairs/Vice Chairs held on the 7 October 2013.

2.00 BACKGROUND

- 2.01 It is has previously been agreed that there will be two/three informal meetings a year between Audit Committee members and the Chairs/Vice Chairs of Overview & Scrutiny Committees to discuss matters of common interest. The first such meeting was held on the 22 February 2013 and the second on the 7 October 2013. Notes of those meetings are attached as Appendices 1 and 2.

3.00 CONSIDERATIONS

- 3.01 The first action arising from the 7 October meeting is the consideration of the size of the Audit Committee and this is the subject of a separate report to this meeting.
- 3.02 The second action arising from the meeting relates to the interaction between the Audit Committee and Overview & Scrutiny Committees on items of mutual interest. Whilst the Audit Committee and each Overview & Scrutiny Committee have control over their own forward work programmes there is potential for improving their inter-relationship so as to avoid duplication and compliment the differing roles they have.
- 3.03 Whilst both the Audit Committee and the appropriate Overview & Scrutiny Committee may have the same topic in their forward work programme their differing roles should avoid duplication. With the Audit Committee focusing on control processes and systems and Overview & Scrutiny focusing on the merits of a policy or decision. Where an Overview & Scrutiny Committee is considering a topic it may become aware of a control issue which it considers merits

referring to the Audit Committee. Similarly the Audit Committee in considering control issues may have concerns over the merits of a policy or decision and believe this should be referred to the appropriate Overview & Scrutiny Committee.

- 3.04 Following the meeting on the 7 October officers have met to discuss the practicalities of this and will ensure that the officers who are advising the committee will draw the committee's attention to recommending the matter be referred to either the Audit Committee or the appropriate Overview & Scrutiny Committee.
- 3.05 The third action arising is liaison between the internal Audit Manger and Policy & Performance Manager over the appropriate mechanism for providing the findings of internal audit reports to Overview & Scrutiny Committees. This has led to this information in future being included in the new format of performance reports. There has been consultation with the appropriate Committee Chairs over this.
- 3.06 It is the intention to arrange another informal meeting between Audit Committee members and Chairs/Vice Chairs of Overview & Scrutiny Committees early in 2014. Actions arising from such meetings will continue to be reported to the Audit Committee and the Chairs/Vice Chairs of Overview & Scrutiny Committees.

4.00 RECOMMENDATIONS

- 4.01 To note the report and endorse actions if considered appropriate.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

- 8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

- 9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 With Overview & Scrutiny Committee Chairs.

11.00 CONSULTATION UNDERTAKEN

11.01 With Overview & Scrutiny Committee Chairs.

12.00 APPENDICES

12.01 Appendix 1 - Note of meeting held on the 22 February 2013
Appendix 2 - Note of meeting held on the 7 October 2013

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

None

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

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**Note of a Briefing Meeting of Audit Committee Members and
Overview & Scrutiny Chairs/Vice Chairs on 22 February 2013
In the Delyn Room**

Present: Councillors: Matt Wright (Chair), Alison Halford,
Patrick Heesom, Paul Williams, Haydn Bateman,
Marion Bateman, Ron Hampson, Glyn Banks,
Nancy Matthews, Richard Jones and Arnold Woolley

Officers: Gareth Owens, Kerry Feather, Peter Evans,
Robert Robins, David Webster and Margaret Parry-Jones

Also attending Amanda Hughes (WAO)

Councillor Matt Wright opened the meeting and welcomed Members and officers. He invited Peter Evans to give a brief presentation on the following:-

- The expanded remit of Audit Committee
- The differing roles of Audit Committee and Overview & Scrutiny Committees.
- Following which there would be a discussion about the relationship between Overview & Scrutiny Committees and Audit Committee.

Councillor Heesom questioned why Councillor Wright was chairing the meeting and in response Councillor Halford advised that following discussions with relevant officers she felt that an 'independent Chair' would be more appropriate to lead the meeting.

The Chair advised that the purpose of the meeting was to explore the roles of the Audit Committee and Overview & Scrutiny Committees to avoid unnecessary duplication. He indicated that it seemed to him that the Audit Committee should chiefly be concerned with control systems as opposed to scrutiny of operational departmental issues which should be the concern of Overview & Scrutiny. Following discussion by Members as to the roles of Audit Committee and Overview & Scrutiny and them working together, Peter Evans gave his attached presentation.

There then followed a discussion as to how best to manage the relationship between Overview & Scrutiny Committees and Audit Committee and in turn the discussion concentrated on the following areas:-

- Financial affairs
- Corporate Governance
- Risk Management
- Inspectors/Regulators
- Regular meetings between Chairs?

The points made during the discussion were captured on a flip chart and those notes are attached.

**Note of a Briefing Meeting of Audit Committee Members and
Overview & Scrutiny Chairs/Vice Chairs on 7 October 2013
In the Clwyd Room**

Present: Members: Matt Wright (Chair), Alison Halford,
Carol Ellis, Paul Williams, Haydn Bateman, Ron Hampson

Officers: Gareth Owens, Kerry Feather, Helen Stappleton,
Karen Armstrong, Peter Evans, David Webster,
Jennie Williams, Robert Robins and Margaret Parry-Jones

Apologies: Ian Roberts, Tim Newhouse and David Hytch

1. Notes of Previous Meeting

The note of the previous meeting held on the 22 February 2013 was agreed as an accurate summary.

Peter Evans gave an update on points coming out of the initial meeting and in particular that a process was now in place with Karen Armstrong's team for reports issued by inspectors and regulators to be tracked.

Councillor Halford raised the issue of whether the Audit Committee should be increased in size which had been raised at the first meeting. Gareth Owens referred to how well the one lay person was contributing and that a paper could be submitted to the next but one Audit Committee to see if they wish to have a second lay person appointed. Councillor Halford also referred to one political group not presently being represented on Audit Committee. It was agreed that there would be a report on these points to the next but one Audit Committee meeting.

2. Forward Work Plan of Items of Mutual Interest

Peter Evans referred to the communication that had recently been sent by Robert Robins to all members giving details of the meetings during December when budget proposals would be considered. The e-mail indicated there would be a further meeting in early January as a round up after the budget consultation had been completed.

3. Revised Performance Reporting Arrangements

Karen Armstrong referred to the paper that had been circulated about the new performance reporting arrangements. The new arrangements would concentrate on the achievement of improvement plan priorities with Members having updates quarterly. In addition every half year Heads of Service would report on their other business areas. The first new report would be presented to Cabinet at its meeting on the 15 October 2013. In response to Councillor Ellis, Karen confirmed that the

new arrangements would not affect the reporting of regulated services to Overview & Scrutiny. Paul Williams raised how there would be interaction between the Audit Committee and Overview & Scrutiny Committees. Peter Evans suggested that initially if Overview & Scrutiny had control issues that they felt needed referring to Audit the Committee could include this in its resolution. Similarly if the Audit Committee believed that there was work Overview & Scrutiny could do to improve existing control procedures it could include this in its resolution. There was also discussion about developing the IT system for officers so it could be summarised to provide useful information to Members. David and Karen would liaise over providing audit findings to Overview & Scrutiny in consultation with appropriate Committee Chairs.

4. Monitoring of Performance Appraisals

Helen Stappleton circulated and spoke to a briefing note on monitoring the completion of staff performance appraisals. The iTrent system enables Managers to report on the completion of appraisals and could be used to monitor across all Directorates that appraisals had been done. Helen explained that the half year performance report would require every Head of Service to report on appraisals. Part of a Manager's role is to manage performance and appraisal forms a key part of that. The briefing paper suggested there could also be an annual report to Audit Committee focusing on performance KPIs and appraisals in particular. Councillor Halford enquired of David Webster his view on the new arrangements and he indicated that it looked good and was a great improvement on current arrangements. In response to Councillor Wright it was confirmed that the November reports to Overview & Scrutiny will include this information on appraisals. Karen Armstrong explained that June is when reports are produced on the previous year's performance and this would now include the extent to which appraisals had been undertaken.

The meeting lasted from 1.30 pm to 2.20 pm

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 18 DECEMBER 2013**

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

SUBJECT: **SIZE OF AUDIT COMMITTEE**

1.00 **PURPOSE OF REPORT**

1.01 To consider whether to increase the number of members on the Audit Committee.

2.00 **BACKGROUND**

2.01 The current membership of the Audit Committee comprises seven Councillors and one lay member. All the political groups on the Council are represented with the exception of the Liberal Democrat Group.

2.02 At informal meetings between Audit Committee members and Overview & Scrutiny Chairs the question has been raised whether the Audit Committee should be larger. At the informal meeting on the 7 October it was indicated that a report would be brought to this meeting so that consideration could be given to this.

3.00 **CONSIDERATIONS**

3.01 Section 82 of the Local Government (Wales) Measure 2011 requires that at least two thirds of the members of an Audit Committee must be members of the authority. It goes on to require that at least one member of the Audit Committee is a lay member. When this provision took effect in spring last year this led to the appointment of Paul Williams as a member of the Audit Committee.

3.02 The contribution that Mr Williams has made to the work of the committee as a member of it and for the time that he was Vice Chair has been highly valued and praised by the committee Chair. The committee may consider that this is as a result of his being a lay member and a reason for having a further lay member. Alternatively it may be felt that this is due to the particular qualities and experience that he has which is unlikely to be replicated in another lay member.

3.03 During the life of this Council the political balance requirements have meant that with the current size of the committee there has always been one political group not represented on it. Initially this was the New Independent Group but currently it is the Liberal Democrat Group. Members may consider that the size of the Audit Committee should be such as to enable each of the political groups on the Council to have a representative on the committee. If the size of the committee was increased to eight Councillors political balance would lead to three of those seats being from Labour and one from each of the other five political groups on the Council.

3.04 Any proposed changes to the current size of the committee require a recommendation to County Council and for an additional lay member the carrying out of a transparent recruitment process.

4.00 RECOMMENDATIONS

4.01 For committee to consider whether it wishes to recommend to Council the change in the current size of the Audit Committee.

5.00 FINANCIAL IMPLICATIONS

5.01 Lay members are entitled to a payment of £99 for each meeting (less than four hours) that they attend.

6.00 ANTI POVERTY IMPACT

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a result of this report.

12.00 APPENDICES

12.01 None

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

None

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 18 DECEMBER 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 25th November 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 New ways of working are summarised in Appendix C.

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

2.05 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.

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

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

3.00 CONSIDERATIONS

3.01 Audit Plan and Resources

It was reported to the meeting in September that the lack of approval to recruit to cover a secondment would impact on the audit plan. The plan has been reviewed and adjusted to meet current resources. Reductions have been made in the number of days allocated to some reviews, while others have been deferred. The changes have been made in such a way as to minimise the additional risk incurred as a result of the reduced audit coverage. They have therefore been concentrated on the 'Other' or 'Advisory' work. The changes have been agreed with the relevant Director or Corporate Head of Service and are shown in Appendix A. Appendix A shows progress against the current plan. If time becomes available towards the end of the year some of these audits could be reinstated.

- 3.02 A list of the audits added to or removed from the plan is given in Appendix B, including the current changes. All of those that have been removed will be considered for the 2014/15 plan in the planning process, which will start in January 2014.

3.03 Ways of Working

The department has been aiming to increase efficiency by developing better ways of working, which are now coming on stream.

The process for delivering audits has changed. A Pre Audit Questionnaire will be used to gain information to be used in scoping the reviews, followed by a single meeting. Where possible, auditors will work agilely, on-site in the department being audited. The biggest change will be in the production of draft and final reports after the audit, with the draft report being discussed and agreed at one meeting. This should cut the overall time between the end of the fieldwork and the production of the final report from up to 45 days to 25 – 30 days. However, these changes will not in themselves reduce the number of days needed for audit reviews.

- 3.04 In addition the Audit Report Monitoring System (ARMS) is now starting to operate. This is a lotus notes database developed with the ICT department which will automate the issue of draft reports, the responses to them, the issue of final reports and the subsequent tracking of recommendations, including the comments from Directors and Corporate Heads of Service. It will also enable Directors and Corporate Heads to monitor the implementation of recommendations in their areas. This system will become populated with draft reports issued from now on.

3.05 **Final Reports**

All reports finalised since the last committee meeting are shown in Appendix C, eight in total. This includes the Single Status report. The overall assurance from this report was included in the Single Status paper to the Council on 29th October 2013. Details for the two Red assurance level reports and the follow up report are given. The follow up report is on Procurement, the other two reports are School Transport and Youth and Community. Details of the main findings are given in Appendix C.

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

3.07 **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.

The more rigorous approach to tracking the recommendations by Internal Audit has continued. 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. As requested at the last meeting, the initial implementation dates and the new implementation dates are shown, and there is a column to show the view of Internal Audit.

3.08 **Performance Indicators**

Appendix E shows the range of performance indicators for the department. The PI for the return of client satisfaction questionnaires is low because a number of questionnaires were issued towards the end of the period.

3.09 **Investigations**

Appendix F shows the status of current investigations into alleged fraud or irregularities.

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
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Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed start date / Status
CORPORATE					
Risk	Risk Management	10	10		JAN
Risk	NWRWTP	20	5		FEB
Risk	Theatre Clwyd	10	0		
Reg	Performance Information	5	5	5	WIP
Other	Lean Team	5	5		MAR
Other	Taith	10	5		MAR
Advisory	Flintshire Futures	10	10	1	WIP
Advisory	Corporate Governance	10	5		DEC
Advisory	Collaborations	10	0		
Advisory	Local Partnerships	10	0	3	
		100	45	9	
FINANCE					
Risk	Medium Term Financial Strategy and Plan	5	5		JAN
Risk	Financial Management and Control	15	15		DEC
Reg	Main Accounting	30	30		JAN
Reg	Housing Benefit	20	20	5	FINAL / JAN
Reg	Council Tax and NNDR	20	20		DEC
Other	Corporate Debt Management	15	10		DEC
Other	CIVICA – new cash management system	15	15	20	WIP
Other	Treasury Management	10	10	5	FINAL
		130	125	30	

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed start date / Status
PENSION FUND					
Reg	Pensions Administration and Contributions	15	15		FEB
Other	Pensions Investment Management and Accounting	15	10		FEB
		30	25	0	
LEGAL AND DEMOCRATIC SERVICES					
Risk	Data Protection	15	15	2	WIP
Other	Legal Counsel	10	10	1	WIP
Other	Court Dates	10	10	10	FINAL
		35	35	13	
HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT					
Reg	Payroll & HR System	20	20	2	WIP
Other	Absence Management and Return to Work	15	15	2	WIP
Other	Corporate Training	20	10	9	WIP
Other	Equalities	5	5	6	DRAFT
Other	Staff Induction	15	0		
Other	Honorariums	15	0		
Other	Overtime Payments	10	10		JAN
Other	Salary Overpayments	10	10	3	WIP
Other	I Trent - expenses	10	10		DEC
Advisory	Implementation of Single Status	20	30	46	FINAL
Advisory	I Trent - developments	5	0		ONGOING
Advisory	Agile Working	5	0		ONGOING
Addition	Payroll – implementation of Single Status	0	20		JAN
		150	140	68	

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed start date / Status
INFORMATION AND COMMUNICATIONS TECHNOLOGY					
Other	Moodle	15	10		FEB
Other	Mobile Devices/Usage	15	0		
Other	Server Licensing	10	10		JAN
		40	20	0	
PROCUREMENT AND CUSTOMER SERVICES					
Risk	P2P System	20	15		FEB
Risk	Flintshire Connects	5	5	1	WIP
Other	Corporate Complaints	10	10	1	WIP
		35	30	2	
LIFELONG LEARNING					
Reg	Grants	10	10	7	ONGOING
Other	Leisure Service	20	15		JAN
Other	Pupil/Student Transport	15	15	15	FINAL
Other	Families First	10	10	11	FINAL
Other	School Funds	5	5		MAR
Advisory	Control Awareness Sessions New Heads and Governors	5	0		
Schools	Control and Risk Self-Assessments	15	10	28	ONGOING
Schools	Risk Based Thematic Reviews / School Audits	40	50	40	
Schools	School Closures/Openings	20	20	20	DRAFT
		140	135	121	
COMMUNITY SERVICES					

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed start date / Status
Risk	Homelessness	15	0		
Other	Private Rented Sector	15	10		FEB
Other	Housing Maintenance System	20	15	21	WIP
Other	Housing Maintenance Contracts	20	20	25	DRAFT
Other	Paris System	15	15	7	WIP
Other	Client Finances	10	0		
Other	POVA	5	5	6	FINAL
Other	Disability Service	20	0		
Other	Commissioning Team	15	10	1	DEC
Advisory	Adoption Services – Partnership Arrangements	5	5		JAN
Addition	Mobile Working and Ticket Validation	25	20	1	WIP
Addition	Empty Homes Scheme	10	10	16	WIP
		175	110	77	
ENVIRONMENT					
Risk	Integrated Transport Infrastructure	15	15		JAN
Risk	Streetscene	20	20	1	WIP
Other	Repairs and Maintenance	20	0	1	
Other	Industrial Units	10	10	1	WIP
Other	Income From Fees and Charges	30	30	27	WIP
Other	Regeneration	10	5		JAN
Other	Waste Management	20	15	2	WIP
Other	Minerals and Waste Planning	10	10	19	WIP
Addition	Pollution Control	15	10		JAN
		150	115	51	

Type	Audit	Plan Days	Revised Plan Days	Actual Days used	Proposed start date / Status
CONTRACT AUDIT					
Other	Shotton Schools	10	10	11	WIP
Other	21 st Century Schools	5	0		
		15	10	11	
INVESTIGATIONS, PROVISIONS AND DEVELOPMENT					
	Pro-active fraud work and NFI	50	50	30	ONGOING
	Provision for investigations	300	300	152	ONGOING
	Provision for ad-hoc requests from Directorates	20	0		ONGOING
	Follow up reviews	30	30		ONGOING
	Audit Development - IDEA	20	20		ONGOING
	Regional Collaboration	30	10	7	ONGOING
		450	360	189	
	Overall Total	1450	1200	572	

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

Human Resources and Organisational Development

Payroll – Implementation of Single Status

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

Audits deferred / deleted from the 2013/14 plan

Corporate

Theatre Clwyd

Collaborations

Local Partnerships

Human Resources and Organisational Development

Staff Induction

Honorariums

Information and Communications Technology

Mobile Devices / Usage

Community Services

Homelessness

Client Finances

Disability Services

Environment

Repairs and Maintenance

Contract Audit

21st Century Schools

Advisory Work deleted from the 2013/14 plan

Human Resources and Organisational Development

I Trent developments

Agile Working

Lifelong Learning

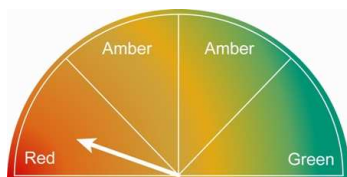
Control Awareness Sessions

Appendix C

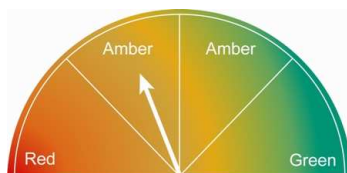
The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received red assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Level of Assurance	Recommendations		
			High	Med	Low
CD0070S1	Procurement Follow Up	Amber -	1	8	2
FD6150T1	Housing Benefit – Performance Management Quality Assurance	Amber +	0	3	1
IT0120R1	Software Licences	Amber +	1	0	1
IT0700S1	Security of Multi Function Devices	Amber -	2	0	0
LL0020S4	Appetite for Life Grant	N/A	0	0	0
LL0030S1	Youth & Community	Red	0	5	4
LL0060T1	School Transport	Red	0	5	2
HR0250S1	Single Status	N/A			

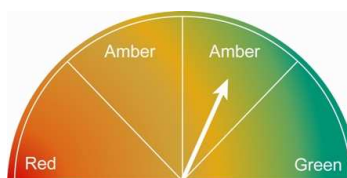
Levels of Assurance – standard reports.



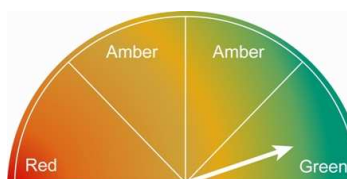
Taking account of the issues identified, the organisation cannot take assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.



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

Procurement Follow Up CD0070S1

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

- All relevant employees should be aware of the new Contract Procedure Rules (CPR)
- The financial vetting of new suppliers
- Insurance requirements in the new CPR
- Training on the need for performance feedback within the Proactis system
- Approved List users to use the Contractor Default Procedure
- CPR to include the requirement to use contractors on the approved list
- Customer satisfaction form used for contractors on the approved list
- Contractors to be vetted for equality, diversity and environmental management
- Approved list to be advertised

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.24	<ul style="list-style-type: none"> ▪ Whilst the Council's CPR's are available for staff to view on the Info net currently there are no measures in place to document whether or not staff have read them and their commitment to adhere to them. ▪ Procedures should be in place to ensure all current and new employees are made fully aware of the revised CPR's. This could be facilitated through a combination of workshops, staff induction process, Info Net, E-learning platforms and management instruction. ▪ It is vital the Council obtains and can evidence each employees acceptance 	High	Y	<ul style="list-style-type: none"> ▪ Three CPR workshops are to be held in mid November 2013. It will be compulsory for the identified officers responsible for procurement across the Authority to attend these workshops. A list of attendees will be retained on file as evidence of the training and advice given. ▪ Discussions will be held with the Proactis the e-procurement software supplier to ascertain whether it will be possible to ensure that all users of the Proactis e-sourcing solution and 	30/11/2013	Arwel Staples
					31/01/2014	Arwel Staples

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	of and commitment to adhere to the CPR's.			<p>P2P have to "click" an acceptance button to confirm that they will comply with the CPR's upon logging in to the system.</p> <ul style="list-style-type: none"> All identified procurement officers and users of the system will be emailed a copy of the latest approved version of the CPR's. <p>All new users and procurement officers will be subject to the same processes as detailed above.</p>	31/10/2013	Arwel Staples
1.1	<ul style="list-style-type: none"> A decision should be taken as to who will receive the continuous monitoring alerts and to facilitate a meaningful financial review of smaller contractors such as sole traders etc. The CPR's should be updated to reflect the change in process on vetting of contractors i.e. financial, insurances, Health & Safety etc. 	Medium	Y	<ul style="list-style-type: none"> The continuous monitoring alerts will be received by the relevant service accountants. <p>The financial review of smaller contracts such as sole traders will carried out by the relevant service accountants.</p> <p>Any issues identified by the service accountants will be raised with the relevant contracts managers.</p> <ul style="list-style-type: none"> CPR 11.6, 11.14 	<p>31/03/2014</p> <p>26/09/2013</p>	<p>Arwel Staples</p> <p>Arwel Staples</p>

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	<ul style="list-style-type: none"> To ensure consistent practice the revised vetting procedures should be documented and retained on file. 			<ul style="list-style-type: none"> This will be carried out in conjunction with the above comments 	31/03/2014	Arwel Staples
1.6	Consideration should be given to inserting a paragraph into the revised CPR's stating that as well as checking that contractors have the pre requisite level of insurance that their insurance policy covers them to carry out the type of work that they will be undertaking for the Authority i.e. demolition works.	Medium	Y	Included in the updated CPR 11.14.	26/09/2013	Arwel Staples
1.8	Staff should be reminded that they must complete performance feedback on the contractors that they use via the Proactis system once implemented.	Medium	Y	It is anticipated that all identified officers would be trained on the Proactis tendering and quotations module in January/February 2014. The requirement to submit performance information will be discussed and reiterated at these training sessions.	31/03/2014	Arwel Staples
1.11	In the interim period all users of the contractor database (Approved List) should be contacted via email and be made aware of the requirement to use the Contractor Default Procedure and when available Proactis.	Medium	Y	E-mail to be sent to all users.	31/10/2013	Lynne Fensome
1.14	The revised CPR's need to include a reference in section 20 - Contracts Valued	Medium	Y	Included in the updated CPR 16.2	26/09/2013	Arwel Staples

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	at less than £10,000 (Works) which states that the contractors used should be sourced from an Approved List of Contractors where such a list exists or alternatively if no Approved List is in place then from the general list of registered suppliers on the e-sourcing solution (where available).					
1.18	A customer satisfaction form should be devised and issued on a random and periodic basis to contractors in order for them to express their views and opinions on the operation of the approved list.	Medium	Y	A generic questionnaire will be sent out to all suppliers as part of the implementation of Proactis e-sourcing.	30/06/2014	Arwel Staples
1.19	Contractors should be vetted in respect of equality and diversity and environmental management by the pre requisite FCC officers subject to their capacity to do so.	Medium	Y	The Head of Procurement will facilitate a review and discussion between the relevant departments concerned with a view to all contractors being vetted in respect of equality and diversity and environmental management. This will form part of a wider discussion regarding re-vetting contractors regarding technical, finance, H&S etc.	31/10/2014	Arwel Staples
1.23	A public advertisement should be made as a minimum either on the Council's own website/National Procurement Website, or at least one local newspaper circulating in the locality or in at least one appropriate trade journal.	Medium	Y	Agreed.	01/01/2014	Lynne Fensome

Youth & Community – LL0030S1

We have made five medium recommendations based on the following:

- The need for a Service Plan
- A timetable for each stage of the draft strategy
- Improvements needed for the draft strategy
- An options appraisal for assets
- Review of fees for the hire of centres

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
Youth and Community Strategic and Service planning and monitoring is effective						
1.01	Youth services need to develop and implement a service plan to enable delivery of priorities linked to national and local objectives, supported by a resourced SMART action plan, and underpinned by a robust performance management framework to measure success.	Medium	Y	A new Service review has been written and approved by Cabinet, which addresses both asset rationalisation and staffing restructure	It is anticipated that this plan will have completed and be rolled out by 31/3/14	Tom Davies / new C&YP manager
1.01	A clear timetable should be established for each stage of the draft strategy including completion of consultation, and approval of final strategy by members to prevent delays in finalising and service 'drift' due to lack of strategy and supporting service plans. It should be made explicit that young people will be one of the consultees for the draft strategy to ensure the final version reflects their input	Medium	Y	Please refer to new strategy Document for the YS	31/3/14	Tom Davies / new C&YP manager

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.01	<p>Improvements that can be made to the draft strategy to help ensure it is fit for purpose are detailed below:</p> <ul style="list-style-type: none"> - Including a procedure for update of the youth strategy - completing the needs assessment to ensure the aims, improvement priorities and actions required are driven by service user needs. - Analysing stakeholders and their expectations/needs in relation to the strategy - Including a current position statement ('where are we now') showing current dimensions of service including financial and non-financial baseline data as well as any performance evidence including benchmarking - showing investment information including assets utilised to deliver current service - including workforce information including current and proposed organisational structure - carrying out and including a SWOT analysis together with overall challenge to current services including horizon scanning and impacts of external environment - specifying resources required to deliver priorities. actions and outcomes - completing an Equality Impact Assessment of the strategy 	Medium	Y	<p>New Strategy written and accepted by Cabinet July 2013 Consultations in progress with all stake holders</p> <p>There is a major assets review underway with a view of reducing the service liabilities for the repair and maintenance of some buildings</p>	31/3/14	Tom Davies / new C&YP manager

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
Asset Management is efficient and effective						
2.01	An options appraisal should be carried out for each of the assets of the youth service to determine if required for delivery of the new strategy or surplus to requirements. Capital finance should be identified for improvements to those assets to be retained to ensure they are fit for purpose for supporting delivery of strategic priorities and outcomes for young people. Community asset transfers should also be explored where feasible.	Medium	Y	A major Asset review of all YS assets is being undertaken as part of the directorate review. A plan will be prepared by the end of the financial year.	31.3.14	NewC&YP Manager/ property assets officer
Income and Sources of external funding to achieve objectives are being identified and maximised						
3.02	The fees charged for hire of youth and community centres should be reviewed. Consideration should be given to calculating the true average cost per hire for each centre and establishing a charge that recovers all costs of each centre	Medium	Y	On going as part of the Asset review	31.3.14	New Y&CP Manager and Head of Service

School Transport – LL0060T1

We have made five medium recommendations based on the following:

- List of students to be updated
- Compliance with Service Level Agreement with Deeside College
- Report on savings from e tendering
- Accurate numbers of students requiring school transport
- Budget efficiencies fully supported

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.2	<p>The current list of students needs to be promptly updated for any changes to student requirements for transport.</p> <p>The School Transport Policy should be adhered to in respect of ensuring Post 16 transport is being provided only for those students meeting the criteria as set out under the Policy.</p>	Medium	Y	<p>Every effort will be made to ensure the ONE system is updated promptly when changes are notified working in close liaison with other departments to achieve this.</p> <p>Every endeavour will be made to check the eligibility of college students prior to arranging transport and to liaise more closely with the colleges to ensure this is possible.</p>	<p>October 2013.</p> <p>December 2013</p>	<p>Transportation Manager.</p> <p>Pupil Support Services Manager</p>
2.1	<p>The SLA between the Authority and Deeside College should be fully complied with in order to achieve the maximum benefits for providing an efficient and cost effective service.</p> <p>The recharge to Deeside College should be made when all costs have been posted for the year in order to ensure the figure is accurate and to maximise</p>	Medium	<p>Y</p> <p>Y</p>	<p>Deeside College will be contacted (in writing) to stress the importance of compliance to the SLA.</p> <p>It is not possible to capture the full charge as the recharge has to be made just prior to the year</p>	<p>December 2013.</p> <p>October 2013</p>	<p>Pupil Support Services Manager</p> <p>Accountant Lifelong Learning</p>

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	income			end but a retrospective adjustment for the full amount has been agreed and will be made before the end of October. This will be performed each year moving forwards.		
3.1	The Authority should produce reports on the actual savings achieved from the e-tendering process to improve management information by providing pertinent figures to inform budget planning.	Medium	Y	Reports will be produced from the system to bring improved management information. There are plans to bring the school transport tenders under the P2P system and a National Procurement Service for Wales is being launched in November which should bring quantifiable savings.	April 2014.	Transportation Manager
3.2	The Authority should look into different systems of monitoring students requiring school transport to assist in obtaining accuracy in the numbers. The ONE system should be appropriately updated as and when changes occur to ensure effective monitoring of costs and potential efficiencies.	Medium	Y Y	A review of different methods of monitoring student numbers will be undertaken. Where contractor costs have changed every effort will be made to ensure the ONE system is updated accurately and in a timely manner to reflect the changes	April 2014. October 2013.	Transportation Manager Transportation Manager.
3.3	Budget efficiencies should be calculated when all variables have been considered where possible, to avoid unrealistic	Medium	Y	Efficiencies will be supported by workings and explanations in	March 2014	Pupil Support Services Manager

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	figures being used in budget forecasting and be supported by comprehensive calculations and narrative.			the future.		

Recommendation Implementation

Status of Recommendations that reached their Implementation Dates in July, August and September 2013.

Title	Reference	Date Issued	Response Received	Recommendations		
				Due	Implemented	Not Implemented
CORPORATE						
Procurement	CD0070R1	Mar 2012	Yes	9	5	4
Procurement	CD0070P1	Nov 2010	Yes	1	1	0
Implementation of LEAN Recommendations	CD0300S1	Sep 2013	Yes	8	6	2
Use of Consultants	CD0500P1	Jan 2011	Yes	4	4	0
Procurement	FL0070M1	Sep 2009	Yes	2	2	0
			Total	24	18	6
FINANCE						
Financial Systems	FD0080R1	Jun 2012	Yes	2	0	2
Main Accounting	FD0080P1	Dec 2011	Yes	2	0	2
Main Accounting	FD0080N1	Sep 2010	Yes	1	1	0
Housing Benefits	FD6150R1	Aug 2012	Yes	2	2	0
			Total	7	3	4
LEGAL AND DEMOCRATIC						
			Total	0	0	0
HUMAN RESOURCES						
Employee Appraisals	HR0240P1	Jun 2011	Yes	1	1	0
			Total	1	1	0
ICT						
			Total	0	0	0
LIFELONG LEARNING						

Student Finance	LL0040S1	Feb 2013	Yes	2	1	1
School Funds	LL0120R1	Nov 2012	Yes	1	1	0
School Budgetary Control	LL1010P1	Nov 2011	Yes	2	0	2
ICT Unit – Security of Mobile Devices	LL1065P1	May 2011	Yes	1	0	1
			Total	6	2	4
COMMUNITY SERVICES						
Fostering	CS0110S1	Nov 2012		3	0	3
			Total	3	0	3
ENVIRONMENT						
Fleet Management	EN0060P1	Jun 2011	Yes	2	1	1
Traffic Management Act	EN0070R1	Jun 2012	Yes	3	3	0
Data Management Public Protection	EN0080N1	Mar 2010	Yes	1	0	1
Asset Management	EN0155R1	Nov 2012	Yes	4	3	1
			Total	10	6	4
			Total	51	31	20

Recommendations Not Implemented – Comments from Directors / Corporate Heads

Report	Original and new dates	Response From	Reason and new date acceptable	How is the Risk being Managed Before the Recommendation is Implemented	Internal Audit acceptance
CD0070R1 – Procurement	Original dates from May 2012 to April 2013	Chris Guest	All recommendations will be addressed by the implementation of the new e-Sourcing system early next years the dates reflect the need for training and time for the system to bed in to normal operations.	New CPRs are agreed and implemented and training provided to all staff with involvement in procurement activities. This provides some risk mitigation but the e-sourcing solution will strengthen the level of mitigation.	Yes.
	New dates from March 2014 to July 2014				
CD0300S1 – Implementation of LEAN Recommendations	Original dates from Aug 2013 to Sept 2013	Chris Guest	Work in progress, any delay is not exposing the council to risk.	No risk	Yes.
	New dates from Oct 2013 to Mar 2014	Gareth Owens	By linking lean to the value for money reviews timescales have been pushed back.		
FD0080R1 – Financial Systems	Original date March 2013	Kerry Feather	Recommendation 6.4 Yes	The Training has now been undertaken and the IT software system is fully operational from November to replace the former manual arrangements.	Yes.








Recommendations Not Implemented – Comments from Directors / Corporate Heads




Report	Original and new dates	Response From	Reason and new date acceptable	How is the Risk being Managed Before the Recommendation is Implemented	Internal Audit acceptance
	New dates from Nov 2013 to Dec 2013		Recommendation 7.8 Yes. The revised date should be 31.03.14 (this is the same as rec 22 of FD008OP1 below). Resources have been prioritised on supporting the budget 2014/15 and financial efficiencies associated with the organisational change programme.	The level of bad debt provision is reviewed annually as part of the budget process and on an ongoing basis, For the future , the approach needs to be more systematic and linked to the Corporate Debt policy.	
FD0080P1 – Main Accounting	Original date March 2012	Kerry Feather	Recommendation 22 Yes. Resources have been prioritised on supporting the budget 2014/15 and financial efficiencies associated with the organisational change programme. Recommendation 24 Yes. The update to FPRs in Sept 2013 concentrated on areas of higher risk whilst resources were also prioritised on the closure of the 2012/13 accounts. Reserves will feature in the next phase of FPR review.	The level of bad debt provision is reviewed annually as part of the budget process and on an ongoing basis, For the future , the approach needs to be more systematic and linked to the Corporate Debt policy. Earmarked reserves are reviewed during the budget setting process and regularly through budget monitoring. A balance sheet review is currently in progress as part of the 2014/15 budget process.	Yes.
	New dates from March 2014 to Sept 2014				
LL0065P1 – ICT Unit Security of Mobile Devices	Original date Oct 2011	Ian Budd	Yes. The issue relates to individual schools under local management.	Few schools involved, being chased again.	Yes.
	New date Oct 2013				
LL1010P1 – School Budgetary Control	Original dates Mar 2012	Ian Budd	Yes. School Funding Formula has taken priority.	Work in progress, elements are being updated. Being monitored.	Yes.
	New dates from April 2014				

Recommendations Not Implemented – Comments from Directors / Corporate Heads

Report	Original and new dates	Response From	Reason and new date acceptable	How is the Risk being Managed Before the Recommendation is Implemented	Internal Audit acceptance
CS0110S1 - Fostering	Original dates from Feb 2013 to April 2013	Neil Ayling	Yes. Induction Standards for Foster Carers in Wales have been suspended by the Care Council for Wales. We are seeking further clarification.	Interim measures have been put in place.	Yes.
	New dates from Dec 2013 to Mar 2014				
	New dates Dec 2013				
EN0060P1 – Fleet Management	Original date Apr 2012	Carl Longland	Yes. Business Travel Policy being produced as a corporate measure. Two reports on Fleet Utilisation and Fleet Fuel Policy taken to Cabinet on 19 th November.	N/A	Yes.
	New date Apr 2014				
EN0080N1 – Data Management Public Protection	Original date Feb 2011	Carl Longland	Yes. Undertaking skills audit, to be completed in December.	Some informal training of officers based on specific posts	Yes.
	New date Dec 2013				
EN0155R1 – Asset Management	Original date Summer 2013	Carl Longland	Yes. Exploration of options and rationalisation of property estate is complex and long term.	N/A. Proposals being prepared for Members in early 2014.	Yes.
	New date April 2014				

Internal Audit Performance Indicators

Performance Measure	Q2	Target	RAG Rating
Internal Audit Departmental Targets			
Audits completed within planned time	73%	80%	 ↓
Average number of days from closure meeting to issue of draft report	17	20	 ↑
Average number of days from response to issue of final report	4	5	 ↓
Return of client satisfaction questionnaires	50%	70%	 ↓
Client questionnaires responses as satisfied	100%	95%	 →
Productive audit days	77%	75%	 ↓
Other Targets			
Days for departments to return draft reports See Note below	23	20	 ↑

Key  Target not achieved  Within 10% of target  Target Achieved

↑ Improving trend → No change ↓ Worsening trend

Investigations

1. The following new referrals have been received

- 1.1 During a recent data matching exercise carried out (the National Fraud Initiative - NFI) it was found that an employee has a potential conflict of interest in that he sells a product to the Council. This is currently being investigated.
- 1.2 NFI data matching also found that the pension of a deceased pensioner was still being paid to an individual who had power of attorney for the pensioner. The matter has been referred to the Police for investigation.
- 1.3 A referral has been received alleging that a Council contractor is ordering goods that are not required by the Authority. This is currently being investigated.

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 pending the outcome of the disciplinary process and one individual has been summarily dismissed following a disciplinary hearing.

3. The following investigation has been completed

- 3.1 A referral was received concerning an employee and the improper allocation of council housing, an investigation has been concluded and the employee has received management advice.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 18 DECEMBER 2013**
REPORT BY: **HEAD OF FINANCE**
SUBJECT: **FORWARD WORK PROGRAMME**

1.00 PURPOSE OF REPORT

1.01 To consider the Forward Work Programme for the Audit Committee for the next year.

2.00 BACKGROUND

2.01 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, Appendix A. It has been compiled based on the work that has been done in previous years and from information received from the various contributors to the Committee.

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

4.00 RECOMMENDATIONS

4.01 That the Committee considers the draft Forward Work Programme and approves / amends as necessary.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Publication of this report constitutes consultation.

11.00 CONSULTATION UNDERTAKEN

11.01 Publication of this report constitutes consultation.

12.00 APPENDICES

Appendix A – Forward Work Programme

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

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

MEETING DATE	AGENDA ITEM	AUTHOR
29 January 2014	<ul style="list-style-type: none"> • Risk Management • Treasury Management Update and Strategy • Annual Report on external inspections • Protocol on Collaboration • Audit Charter update • Action Tracking 	Karen Armstrong Liz Thomas Gareth Owens Peter Evans David Webster David Webster
26 March 2014	<ul style="list-style-type: none"> • Improvement Assessment Letter (WAO) • Annual Financial Audit Outline (WAO) • Treasury Management Update • Internal Audit Strategic Plan • PSIAS compliance • Audit Committee Self Assessment • Internal Audit Progress Report • Action Tracking • Forward Work Programme • Recommendation implementation and response to ICO • Private Meeting (WAO and IA) 	Liz Thomas David Webster David Webster David Webster David Webster David Webster David Webster David Webster David Webster / Peter Evans
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 	David Webster David Webster

MEETING DATE	AGENDA ITEM	AUTHOR
	<ul style="list-style-type: none"> • Action Tracking • Forward Work Programme • Risk Management Update 	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
December 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report • Action Tracking • Forward Work Programme • Risk Management update • Code of Corporate Governance • Treasury Management Mid Year Update 	David Webster David Webster David Webster Vicki Woolf Peter Evans Liz Thomas