

Public Document Pack

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Pennaeth Gwasanaethau Cyfreithiol a Democraataidd



To: Cllr Alison Halford (Chair)

CS/ST

Councillors: Glyn Banks, Haydn Bateman,
Alan Diskin, Ian Roberts and Arnold Woolley
plus one vacancy

22 July 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 **TUESDAY, 30TH JULY, 2013** at **2.00 PM** to consider the following items.

Yours faithfully

Democracy & Governance Manager

AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **TREASURY MANAGEMENT ANNUAL REPORT 2012/13 AND 2013/14 UPDATE** (Pages 1 - 22)
Report of Head of Finance enclosed.
- 4 **CERTIFICATION OF GRANT CLAIMS AND RETURNS 2011/12** (Pages 23 - 40)
Report of Head of Finance 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

- 5 **AUDIT COMMITTEE TERMS OF REFERENCE** (Pages 41 - 50)
Report of Head of Finance enclosed.
- 6 **INTERNAL AUDIT CHARTER** (Pages 51 - 60)
Report of Head of Finance enclosed.
- 7 **ACTION TRACKING** (Pages 61 - 68)
Report of Head of Finance enclosed.
- 8 **FORWARD WORK PROGRAMME** (Pages 69 - 72)
Report of Head of Finance enclosed.

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 30 JULY 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **TREASURY MANAGEMENT ANNUAL REPORT**
 2012/13 AND 2013/14 UPDATE

1.00 PURPOSE OF REPORT

1.01 To present the Annual Report on the Council's Treasury Management Policy, Strategy and Practices 2012/13 and to provide an update on Treasury Management activity in 2013/14 to the end of May 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 as a standing item on each quarterly agenda to receive an update.

2.02 On 1st March, the Council approved the Treasury Management Policy Statement 2013-2016, Treasury Management Strategy 2013/14 and Treasury Management Practices 2013-16, following the recommendation of the Cabinet and consideration by the Audit Committee.

3.00 CONSIDERATIONS

Governance

3.01 A schedule for the reporting cycle for Treasury Management reports in 2013/14 is attached as Appendix 1 for information. Where Members have any specific items of interest, concern or questions on the Council's Treasury Policy or Investment Strategy these can be addressed within these reports upon request.

Treasury Management Annual Report 2012/13

3.02 The draft Treasury Management Annual Report for 2012/13 is attached as Appendix 2 for review. As required by Financial Procedures, this Annual Report will be reported to the Cabinet and Council.

3.03 A summary of the main points of note from the year are included in 3.04 – 3.08 below.

- 3.04 A review of the treasury management function was completed by Internal Audit during the first quarter of the year and reported that substantial assurance could be placed in the treasury management system and controls.
- 3.05 The Council's treasury management advisor, Sterling Consultancy Services was acquired by Arlingclose Ltd. in October 2012. The Council's existing contract with Sterling was transferred to Arlingclose who now provide advice and information on the Council's investment and borrowing activities.
- 3.06 Arlingclose revised their interest rate forecast during the year. The original forecast was for the Bank of England's base rate to rise steadily from the end of 2012 to reach 2.5% in June 2014. As we entered 2013, the base rate was still 0.5% and the latest forecasts indicate that it will remain there for the foreseeable future.

The financial implications of the revised forecast were reported in the Central Loans and Investment account in revenue budget monitoring reports.

- 3.07 Investment strategy - At the start of 2012/13 the Council continued with its self imposed low risk policy of only making short term investments (maximum term of 3 months), or investing in instant access call accounts and money market funds.

In January 2013, following discussions with Arlingclose, the financial environment had stabilised sufficiently for the self imposed restriction of only making short term investments to be lifted, and subsequently a number of longer term investments ranging from 3 to 12 months were made.

- 3.08 Borrowing strategy - A £1.5 million PWLB loan matured on 22nd November 2012, and consideration was given to either repaying or refinancing the loan with new borrowing.

Given the Council's high level of cash balances and the current cost of carrying debt being sufficiently higher than returns on investments, it was decided to reduce the Council's exposure to interest risk and credit risk and the loan was repaid.

Treasury Management 2013/14 Update

Economic Context

- 3.09 Continuing with the trend of recent updates, there has been little change to economic conditions since the last update in March 2013 with the economy remaining subdued and the Bank of England unanimous in keeping the base interest rate at 0.5% where it is expected to stay for the foreseeable future.

Mark Carney commences his role as the new Governor of the Bank of England on July 1st with most analysts' expectations that initially, little will change in terms of central economic policy.

The Chancellor's recent Mansion House speech was reasonably upbeat in that the economy was viewed as being out of intensive care and moving towards recovery.

During his speech, the Chancellor also made announcements regarding banks that are part owned by Government. He signalled his intention to sell the Government's stake in Lloyds Bank reasonably soon with further consideration given to RBS.

Investments Update

3.10 A statement setting out the Council's investments as at 31st May 2013 is attached as Appendix 3. It shows an investment balance of £66.6m spread across 17 counterparties, along with the interest that will be earned by each investment listed during its life.

3.11 The potential sale of Lloyds Bank as referred to in 3.09 is of particular interest to the Council as we recently held two fixed term investments (investment period of 1 year each) totalling £7m with Lloyds Bank.

One investment of £4m matured in early July 2013 with the remaining £3m maturing in December 2013.

Discussions regarding the potential implications of a sale have taken place with Arlingclose – their current advice is that Lloyds remains a credit-worthy counterparty, but given the uncertainty around timing of any sale, the future owner and the level of post sale government support, that any new investments are restricted to a 6 month term.

A further £2.5m was invested on 4th July for 3 months at a rate of 0.7% following the advice given by Arlingclose.

3.12 From the 1st April 2013 the Treasury Management Strategy 2013/14 has been implemented. This includes 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. Once the error was discovered action was taken immediately to reduce the investment to the agreed limit of £5m and working practices have been strengthened to ensure such an error does not occur again.

Officer Training

- 3.13 Officers attended a half day CIPFA Treasury Management closedown masterclass in March, in preparation for the closure of the 2012/13 accounts. The event, hosted by Lloyds in Manchester, highlighted a number of items for consideration and provided worthwhile networking opportunities with treasury management colleagues from other Councils in the region.

Treasury Management IT System

- 3.14 The treasury management team recently viewed an online demonstration of a new CIPFA endorsed treasury management IT system.

The initial impression was that the new system would improve our treasury management capability and will be explored further.

Further updates will be provided to Audit Committee as appropriate in future reports.

Borrowing Update

- 3.15 Officers, in conjunction with Arlingclose continue to review and assess debt restructuring options that may provide an opportunity for the Council to repay some of its higher interest rate debt or deliver savings by replacing existing debt with new loans at lower interest rates.

As reported in our March Audit Committee update, Arlingclose have provided a debt restructuring proposal which we are in the process of assessing to establish its viability over the short, medium and longer term given current forecasts for interest and inflation rates. The outcome of this particular proposal will be reported in our next Audit Committee update.

Landsbanki Update

- 3.16 The Winding up Board of Landsbanki made distributions to the Council as a priority creditor in February, May and October 2012 totalling £1.76 million.

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, subject to potential future exchange rate fluctuations. The final impact on the Council will not be known until the distribution process is complete.

The future pattern of distributions by the Landsbanki Winding up Board is not known, but based on the latest information, the Local Authority Accounting Panel (LAAP) recommends that the estimate of the recoverable amount is based on a total repayment of 100% and that the future payment schedule should be estimated as follows –

Date	%
Dec 2013	7.50
Dec 2014	7.50
Dec 2015	7.50
Dec 2016	7.50
Dec 2017	7.50
Dec 2018	7.50
Dec 2019	5.35
Total	50.35

4.00 RECOMMENDATIONS

4.01 That Members note the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd.

12.00 APPENDICES

Appendix 1 – Treasury Management Reports Schedule 2013/14
Appendix 2 – Draft Treasury Management Annual Report 2012/13
Appendix 3 – Investments as at 31st May 2013.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

Contact Officer: Liz Thomas
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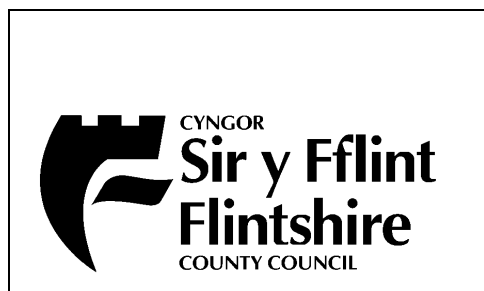
Treasury Management Reporting 2013/14

Committee Report		Audit	Cabinet	Council
Annual Report 2012/13		30-Jul-13	17-Sep-13	25-Sep-13
Primary Purpose	Information			
Secondary Purpose	Policy Change			

Committee Report		Audit	Cabinet	Council
Mid Year Review 2013/14		07-Oct-13	15-Oct-13	12-Nov-13
Primary Purpose	Information			
Secondary Purpose	Policy Change			

Committee Report		Audit	Cabinet	Council
Strategy 2014/15		29-Jan-14	18-Feb-14	18-Feb-14
Primary Purpose	Information			
Secondary Purpose	Policy Change			

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FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

DRAFT ANNUAL REPORT 2012/13

1.00 INTRODUCTION

- 1.01 The Council approved the Treasury Management Policy and Strategy Statement (Policy Statement) 2012/13 including key indicators, limits and an annual investment strategy on 1st March 2012.
- 1.02 The Policy Statement was produced based on the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice.
- 1.03 The purpose of this report is to review the outcomes from 2012/13 treasury management operations and compare with the Policy Statement.
- 1.04 Treasury management comprises the management of the local authority'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.

2.00 ECONOMIC & INTEREST RATE REVIEW 2012/13

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

The global outlook stabilised mainly due to central banks maintaining low interest rates and expansionary monetary policy for an extended period. Equity market assets recovered sharply with the FTSE 100 registering a 9.1% increase over the year. This was despite economic growth in G-7 nations being either muted or disappointing.

In the UK the economy shrank in the first, second and fourth quarters of calendar 2012. It was the impressive 0.9% growth in the third quarter, aided by the summer Olympic Games, which allowed growth to register 0.2% over the calendar year 2012. The expected boost to net trade from the fall in the value of sterling did not materialise, but raised the price of imports, especially low margin goods such as food and energy. Avoiding a 'triple-dip' recession became contingent on upbeat services sector surveys translating into sufficient economic activity to overhaul contractions in the struggling manufacturing and construction sectors.

Household financial conditions and purchasing power were constrained as wage growth remained subdued at 1.2% and was outstripped by inflation. Annual CPI dipped below 3%, falling to 2.4% in June before ticking up to 2.8% in February 2013. Higher food and energy prices and higher transport costs were some of the principal contributors to inflation remaining above the Bank of England's 2% CPI target.

The lack of growth and the fall in inflation were persuasive enough for the Bank of

England to maintain the Bank Rate at 0.5% and also sanction additional £50 billion asset purchases (QE) in July, taking total QE to £375 billion. The possibility of a rate cut was discussed at some of Bank's Monetary Policy Committee meetings, but was not implemented as the potential drawbacks outweighed the benefits of a reduction in the Bank Rate. In the March Budget the Bank's policy was revised to include the 2% CPI inflation remit alongside the flexibility to commit to intermediate targets.

The resilience of the labour market, with the ILO unemployment rate falling to 7.8%, was the main surprise given the challenging economic backdrop. Many of the gains in employment were through an increase in self-employment and part time working.

The Chancellor largely stuck to his fiscal plans with the austerity drive extending into 2018. In March the Office for Budgetary Responsibility (OBR) halved its forecast growth in 2013 to 0.6% which then resulted in the lowering of the forecast for tax revenues and an increase in the budget deficit. The government is now expected to borrow an additional £146bn and sees gross debt rising above 100% of GDP by 2015-16. The fall in debt as a percentage of GDP, which the coalition had targeted for 2015-16, was pushed two years beyond this horizon. With the national debt metrics out of kilter with a triple-A rating, it was not surprising that the UK's sovereign rating was downgraded by Moody's to Aa1. The AAA status was maintained by Fitch and S&P, albeit with a Rating Watch Negative and with a Negative Outlook respectively.

The government's Funding for Lending (FLS) initiative commenced in August which gave banks access to cheaper funding on the basis that it would then result in them passing this advantage to the wider economy. There was an improvement in the flow of credit to mortgagees, but was still below expectation for SMEs.

The big four banks in the UK – Barclays, RBS, Lloyds and HSBC – and several other global institutions including JP Morgan, Citibank, Rabobank, UBS, Credit Suisse and Deutsche came under investigation in the Libor rigging scandal which led to fines by and settlements with UK and US regulators. Banks' share prices recovered after the initial setback when the news first hit the headlines.

3.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT

3.01 PWLB (Public Works Loans Board) Certainty Rate

The Certainty Rate was introduced by the PWLB in November 2012, allowing the authority to borrow at a reduction of 20bps on the Standard Rate.

3.02 Borrowing Activity in 2012/13

The total long term borrowing outstanding, brought forward into 2012/13 totalled £173.6 million. Loans with the Public Works Loans Board were in the form of fixed rate (£144.66m) and variable rate (£10m). The remaining £18.95m was variable in the form of Lobo's (Lender's Option, Borrower's Option). The Council's average borrowing rate throughout the year was 5.43%.

	Balance 1/04/2012 £m	Debt Maturing £m	New Debt £m	Balance 31/03/2013 £m
Capital Financing Requirement	180.4			183.2
Short Term Borrowing¹	0.00	0.00	0.00	0.00
Long Term Borrowing	173.6	1.5	0.00	172.1
TOTAL BORROWING	173.6	1.5	0.00	172.1
Other Long Term Liabilities	6.0	0.5	2.6	8.1
TOTAL EXTERNAL DEBT	179.6	2.0	2.6	180.2
Increase/ (Decrease) in Borrowing £m				0.6

3.03 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/3/2013 was £183.2m. The Council's total external debt was £180.2m.

3.04 No new long term Public Works Loan Board (PWLB)/financial institution borrowing was undertaken during 2012/13 - the Council continues to use cash reserves to fund capital expenditure in place of new borrowing. New finance leases of £2.6m were signed to fund, in the main, the Redevelopment works at the Jade Jones Pavilion, Flint.

3.05 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 0.54%.

The uncertain interest rate outlook further supported the case for maintaining variable rate debt. As the economy still appeared susceptible to economic shocks, growth remained insipid and official interest rates were forecast to remain low for much longer, the Council determined that exposure to variable rates was warranted. It also made sense from an 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 'hedged' 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%. When appropriate this exposure will be reduced by replacing the variable rate loans with fixed rate loans.

3.05 Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was 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%. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding £1.4m of capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this position is expected to continue in 2013/14, it will not be sustainable over the medium term. The Council expects it will need to borrow for capital purposes from 2014/15 onwards.

3.06 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.

The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require

payment, i.e. the next call date. This change is reflected in Appendix 1, paragraph (c).

3.07 Debt Rescheduling

No debt-restructuring opportunities arose. However, The Head of Finance, along with its Treasury Management Advisors, keeps under review any opportunities which may arise for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility). At a late stage in the year a proposal was being considered and assessed for suitability. Any actions carried out under delegated powers will be reported to the Audit Committee, Cabinet and County Council as appropriate.

4.00 INVESTMENT ACTIVITY

4.01 The Welsh Assembly Government's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

4.02 Investment Activity in 2012/13

Summary of investments as at 31st March 2013.

Country	Total		<1 month	1 –12 months	>12 months	Iceland
	£m	%				
UK BANKS	7.0	12		7.0		
UK BUILDING SOCIETIES	22.4	39	7.1	15.3		
OVERSEAS	3.7	6	2.0	1.7		
LANDSBANKI	1.9	3				1.9
MMF'S						
LOCAL AUTHORITIES	2.0	4	2.0			
DMO	21.0	36	21.0			
TOTAL	58.0	100	32.1	24	0.00	1.9
% OF PORTFOLIO			55%	42%	0.0%	3%
TARGET 2012			35%	55%	10%	

4.03 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Policy and Strategy Statement for 2012/13. Investments during the year included:

- Deposits with the Debt Management Office
- Deposits with other Local Authorities
- Investments in AAA-rated Constant Net Asset Value Money Market Funds
- Call accounts and deposits with Banks and Building Societies

4.04 The start of 2012/13 saw the continuation of the self imposed low risk policy of only making short term investments (maximum term of 3 months), or investing in instant access call accounts and money market funds, which was put in place during 2011/12 in response to the Euro zone sovereign debt crisis.

In January 2013, following discussions with Arlingclose, the financial environment had stabilised sufficiently for the self imposed restriction of only making short term investments to be lifted, and subsequently a number of longer term investments ranging from 3 to 12 months being made.

4.05 Credit Risk

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 determined for the 2012/13 treasury strategy was A/A/A2 across rating agencies Fitch, S&P and Moody's.

In June Moody's downgraded a swathe of banks with global capital market operations, including the UK banks on the Council's lending list - Barclays, HSBC, Royal Bank of Scotland/Natwest, Lloyds TSB Bank/Bank of Scotland - as well as several non UK banks.

4.06 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.

4.07 Yield

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year.

The Council considered an appropriate risk management response to uncertain and deteriorating credit conditions in Europe was to shorten maturities for new investments. Short term money market rates also remained at very low levels

which had a significant impact on investment income.

Income earned on £9m of longer-dated investments made in 2012/13 at an average rate of 1.9% provided some cushion against the low interest rate environment.

The Council's budgeted investment income for the year had been estimated at £537k. The average cash balances were £70m during the period and interest earned was £508k.

5.00 UPDATE ON INVESTMENTS WITH ICELANDIC BANKS

- 5.01 The Winding up board of Landsbanki (now LBI hf) made distributions to priority creditors in February, May and October of 2012, totalling £1.76m.

The Winding Up Board published details of LBI's financial position as at 31 December 2012 on its website. This showed that LBI's assets, including partial payments 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, subject to potential future exchange rate fluctuations.

There is an on-going dispute over whether the total claims should be valued at the 22 April 2009 exchange rates or at spot rates. This is being trialled in the Icelandic Courts shortly and is likely to be the subject of appeal to the Icelandic Supreme Court whatever the verdict.

The future pattern of distributions by the Landsbanki Winding Up Board is not known, but based on the above information and an estimate that the distribution made in October 2012 represented 49.65% of the total due (based on the 22 April 2009 exchange rates), Local Authority Accounting Panel recommends that the estimate of the recoverable amount is based on a total repayment of 100% and that the future payment schedule should be estimated as follows:

December 2013 7.50%
December 2014 7.50%
December 2015 7.50%
December 2016 7.50%
December 2017 7.50%
December 2018 7.50%
December 2019 5.35%

Issues remain around foreign exchange risks, as payments have been and will continue to be received in Euros, US Dollars, GBP and Icelandic Krona. The

Council has discussed these foreign exchange transactions with its bank and suitable arrangements have been put in place to accept the payments. There are still uncertainties regarding funds currently held in Krona, as they cannot currently be converted into GBP. The LGA in conjunction with those authorities affected, are working on practical solution for all.

6.00 COMPLIANCE

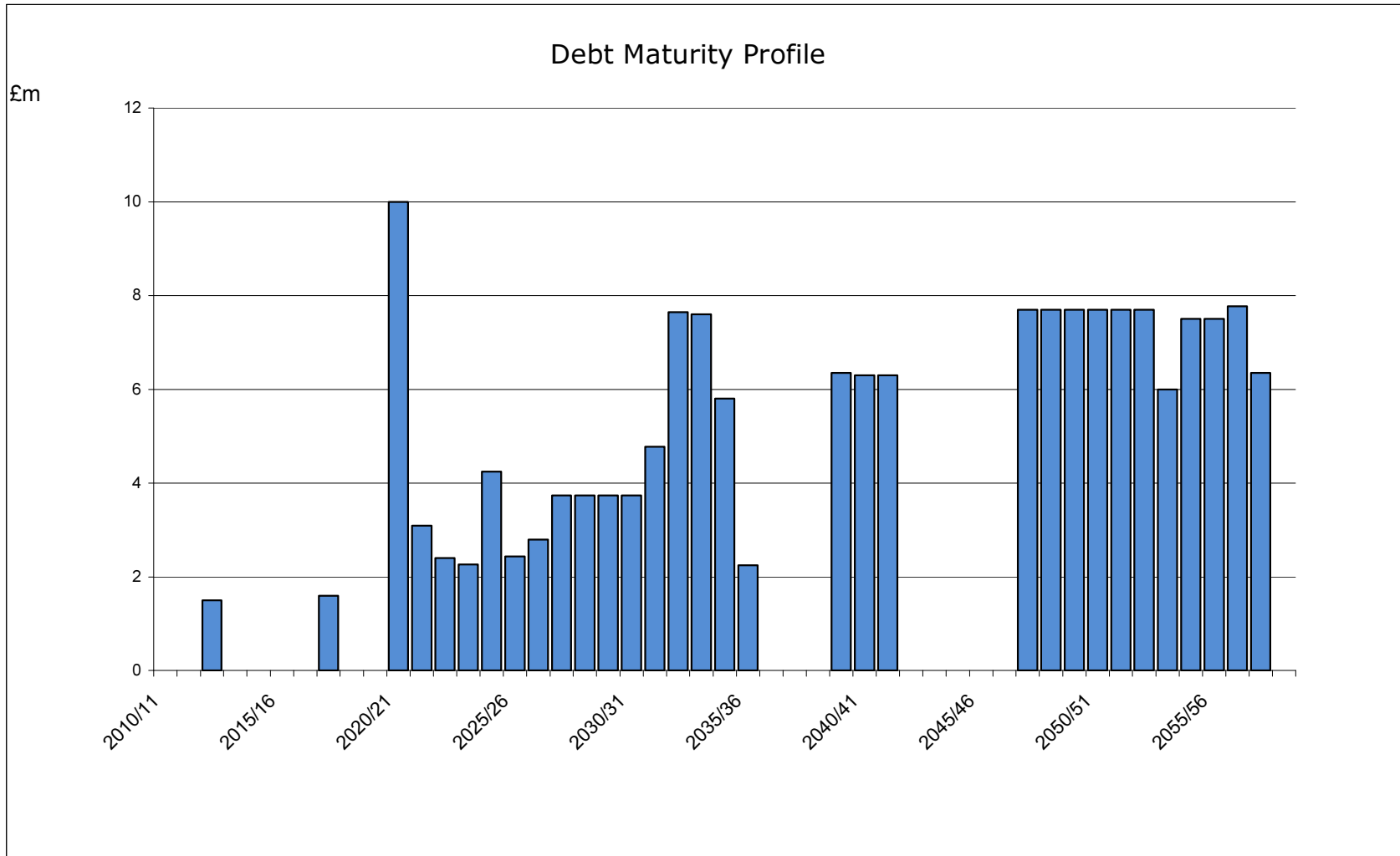
- 6.01 The Council can confirm that it has complied with its Prudential Indicators for 2012/13, which were approved on 1st March 2012 as part of the Council's Treasury Management Policy and Strategy Statement.
- 6.02 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2012/13. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.
- 6.03 The treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2012/13 with one exception; an investment was made with a counterparty that had recently been placed at risk of falling below the Council's criteria because it was on review for possible downgrade. The error was identified the next day and immediate action was taken to recover the investment. The investment has now been returned, and internal controls have been improved to ensure that such an error will not happen again.

7.00 OTHER ITEMS

- 7.01 The following were the main treasury activities during 2012/13:
- The Head of Finance received a monthly update on treasury activities.
 - The Council received a Mid Year Report on 13th November 2012.
 - Quarterly updates reports were presented to the Audit Committee including the Icelandic monies at risk
 - All Members were invited to a training session undertaken by Arlingclose Ltd on 29th January 2013, which was hosted by Audit Committee.
 - The new Policy and Strategy Statement 2013/14 was approved by Council on 1st March 2013.
 - The Council continues to be an active member of both the CIPFA Treasury Management Forum and the CIPFA Benchmarking Club.
 - The Council's cash flow was managed on a daily basis. During the year the Authority acted both as a borrower and as a lender and was a net borrower over the year in question. The maximum investments the Authority had on deposit at any one time was £82.1m and the maximum long-term borrowing at any one time was £172.1m.

8.00 CONCLUSION

- 8.01 The treasury management function has operated within the statutory and local limits detailed in the 2012/13 Treasury Management Policy and Strategy Statement with one exception.
- 8.02 A new Policy Statement 2013/14 – 2015/16 and Treasury Management Strategy 2013/14 has been adopted which were revised from the 2012/13 statement, with the view of continuing to improve performance by managing the various treasury risks.
- 8.03 The Policy was implemented in a pro-active manner with security and liquidity as the focus.



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Flintshire County Council

Appendix 3

Investments as at 31st May 2013 - by maturity date

Counterparty Name	Amount £m	Start Date	Maturity	Interest Rate	Interest on Investment (total investment period)	Period to Maturity	Total by Maturity Date £m
LANDSBANKI ISLANDS	0.6	22-Jul-08	17-Oct-08	5.82%	16,646.79	Partially Returned	Iceland
LANDSBANKI ISLANDS	0.8	1-Sep-08	14-Nov-08	5.70%	17,334.25	Partially Returned	Iceland
LANDSBANKI ISLANDS	0.5	8-Sep-08	18-Nov-08	5.67%	11,029.32	Partially Returned	Iceland
YORKSHIRE BUILDING SOCIETY	2.0	11-Apr-13	18-Jun-13	0.35%	1,304.11	1 month or less	
YORKSHIRE BUILDING SOCIETY	2.0	11-Apr-13	21-Jun-13	0.35%	1,361.64	1 month or less	
HANDELSBANKEN	5.4	5-Dec-12	30-Jun-13	0.40%	12,249.86	1 month or less	
IGNIS STERLING LIQUIDITY FUND	5.2	2-Apr-13	30-Jun-13	0.43%	5,448.08	1 month or less	
NATWEST BANK	5.0	3-Apr-13	30-Jun-13	0.60%	7,232.88	1 month or less	
SSGA GBP LIQUIDITY FUND	2.0	23-Apr-13	30-Jun-13	0.33%	1,245.90	1 month or less	21.6
BANK OF SCOTLAND	4.0	27-Jul-12	04-Jul-13	3.00%	112,438.36	1-3 months	
COVENTRY BUILDING SOCIETY	1.5	16-Apr-13	18-Jul-13	0.43%	1,643.42	1-3 months	
BARCLAYS	1.3	29-Apr-13	18-Jul-13	0.44%	1,253.70	1-3 months	
BARCLAYS	1.6	29-Apr-13	22-Jul-13	0.44%	1,620.16	1-3 months	
CAMBRIDGE BUILDING SOCIETY	1.5	1-May-13	22-Jul-13	0.38%	1,280.55	1-3 months	
NATIONWIDE BUILDING SOCIETY	1.5	1-May-13	26-Jul-13	0.43%	1,519.73	1-3 months	
NATIONWIDE BUILDING SOCIETY	1.4	1-May-13	26-Jul-13	0.43%	1,418.41	1-3 months	
NATIONWIDE BUILDING SOCIETY	1.5	1-Feb-13	16-Aug-13	0.62%	4,993.97	1-3 months	
LEEDS BUILDING SOCIETY	2.3	5-Feb-13	16-Aug-13	0.52%	6,291.29	1-3 months	
CUMBERLAND BUILDING SOCIETY	2.1	1-May-13	16-Aug-13	0.40%	2,462.47	1-3 months	
NOTTINGHAM BUILDING SOCIETY	1.0	3-May-13	16-Aug-13	0.48%	1,380.82	1-3 months	
BARCLAYS	2.1	3-May-13	22-Aug-13	0.46%	2,944.08	1-3 months	
NOTTINGHAM BUILDING SOCIETY	1.0	3-May-13	22-Aug-13	0.48%	1,459.73	1-3 months	
BARCLAYS	1.0	3-May-13	28-Aug-13	0.47%	1,490.55	1-3 months	
CAMBRIDGE BUILDING SOCIETY	1.0	3-May-13	28-Aug-13	0.38%	1,218.08	1-3 months	24.8
PROGRESSIVE BUILDING SOCIETY	2.0	11-Apr-13	18-Sep-13	0.55%	4,821.92	3 months +	
NOTTINGHAM BUILDING SOCIETY	1.0	5-Feb-13	18-Oct-13	0.61%	4,261.64	3 months +	
NATIONWIDE BUILDING SOCIETY	1.6	16-Apr-13	18-Oct-13	0.52%	4,216.99	3 months +	
NOTTINGHAM BUILDING SOCIETY	2.0	5-Feb-13	18-Nov-13	0.72%	11,283.29	3 months +	
LEEDS BUILDING SOCIETY	2.0	22-Feb-13	28-Nov-13	0.65%	9,936.99	3 months +	
BANK OF SCOTLAND	3.0	5-Dec-12	05-Dec-13	1.60%	48,000.00	3 months +	
NATIONAL COUNTRIES BUILDING SOCIETY	2.0	14-Feb-13	14-Feb-14	1.20%	24,000.00	3 months +	13.6
	61.9				323,788.99		61.9
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	47.4	76.6	9.0	24.8	13.6	0.0	0.0
OVERSEAS	5.4	8.7	5.4	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)	1.9	3.1	0.0	0.0	0.0	0.0	1.9
MONEY MARKET FUNDS	7.2	11.6	7.2	0.0	0.0	0.0	0.0
	61.9		21.6	24.8	13.6	0.0	1.9
		100.0%	34.9%	40.0%	22.0%	0.0%	3.1%

Flintshire County Council

Investments as at 31st May 2013 - by bank

Counterparty Name	Amount £m	Start Date	Maturity	Interest Rate	Interest on Investment (total investment period)	Period to Maturity	Total by Bank £m
BANK OF SCOTLAND	4.0	27-Jul-12	04-Jul-13	3.00%	112,438.36	1-3 months	
BANK OF SCOTLAND	3.0	5-Dec-12	05-Dec-13	1.60%	48,000.00	3 months +	7.0
BARCLAYS	1.3	29-Apr-13	18-Jul-13	0.44%	1,253.70	1-3 months	
BARCLAYS	1.6	29-Apr-13	22-Jul-13	0.44%	1,620.16	1-3 months	
BARCLAYS	2.1	3-May-13	22-Aug-13	0.46%	2,944.08	1-3 months	
BARCLAYS	1.0	3-May-13	28-Aug-13	0.47%	1,490.55	1-3 months	6.0
CAMBRIDGE BUILDING SOCIETY	1.5	1-May-13	22-Jul-13	0.38%	1,280.55	1-3 months	
CAMBRIDGE BUILDING SOCIETY	1.0	3-May-13	28-Aug-13	0.38%	1,218.08	1-3 months	2.5
COVENTRY BUILDING SOCIETY	1.5	16-Apr-13	18-Jul-13	0.43%	1,643.42	1-3 months	1.5
CUMBERLAND BUILDING SOCIETY	2.1	1-May-13	16-Aug-13	0.40%	2,462.47	1-3 months	2.1
HANDELSBANKEN	5.4	5-Dec-12	30-Jun-13	0.40%	12,249.86	1 month or less	5.4
IGNIS STERLING LIQUIDITY FUND	5.2	2-Apr-13	30-Jun-13	0.43%	5,448.08	1 month or less	5.2
LANDSBANKI ISLANDS	0.6	22-Jul-08	17-Oct-08	5.82%	16,646.79	Partially Returned	Iceland
LANDSBANKI ISLANDS	0.8	1-Sep-08	14-Nov-08	5.70%	17,334.25	Partially Returned	Iceland
LANDSBANKI ISLANDS	0.5	8-Sep-08	18-Nov-08	5.67%	11,029.32	Partially Returned	Iceland
LEEDS BUILDING SOCIETY	2.3	5-Feb-13	16-Aug-13	0.52%	6,291.29	1-3 months	
LEEDS BUILDING SOCIETY	2.0	22-Feb-13	28-Nov-13	0.65%	9,936.99	3 months +	4.3
NATIONAL COUNTIES BUILDING SOCIETY	2.0	14-Feb-13	14-Feb-14	1.20%	24,000.00	3 months +	2.0
NATIONWIDE BUILDING SOCIETY	1.5	1-May-13	26-Jul-13	0.43%	1,519.73	1-3 months	
NATIONWIDE BUILDING SOCIETY	1.4	1-May-13	26-Jul-13	0.43%	1,418.41	1-3 months	
NATIONWIDE BUILDING SOCIETY	1.5	1-Feb-13	16-Aug-13	0.62%	4,993.97	1-3 months	
NATIONWIDE BUILDING SOCIETY	1.6	16-Apr-13	18-Oct-13	0.52%	4,216.99	3 months +	6.0
NATWEST BANK	5.0	3-Apr-13	30-Jun-13	0.60%	7,232.88	1 month or less	5.0
NOTTINGHAM BUILDING SOCIETY	1.0	3-May-13	16-Aug-13	0.48%	1,380.82	1-3 months	
NOTTINGHAM BUILDING SOCIETY	1.0	3-May-13	22-Aug-13	0.48%	1,459.73	1-3 months	
NOTTINGHAM BUILDING SOCIETY	1.0	5-Feb-13	18-Oct-13	0.61%	4,261.64	3 months +	
NOTTINGHAM BUILDING SOCIETY	2.0	5-Feb-13	18-Nov-13	0.72%	11,283.29	3 months +	5.0
PROGRESSIVE BUILDING SOCIETY	2.0	11-Apr-13	18-Sep-13	0.55%	4,821.92	3 months +	2.0
SSGA GBP LIQUIDITY FUND	2.0	23-Apr-13	30-Jun-13	0.33%	1,245.90	1 month or less	2.0
YORKSHIRE BUILDING SOCIETY	2.0	11-Apr-13	18-Jun-13	0.35%	1,304.11	1 month or less	
YORKSHIRE BUILDING SOCIETY	2.0	11-Apr-13	21-Jun-13	0.35%	1,361.64	1 month or less	4.0
	61.9				323,788.99		61.9

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 30 JULY 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **CERTIFICATION OF GRANT CLAIMS AND RETURNS**
2011/12

1.00 PURPOSE OF REPORT

1.01 The purpose of the report is to inform Members of the grant claim certification for the year ended 31st March 2012.

2.00 BACKGROUND

2.01 The Council's external auditors, the Wales Audit Office (WAO) are required to report annually on the certification of grant claims and returns and the annual report for 2011/12 is appended to this report. WAO will be in attendance at the meeting to present the report and respond to members comments or questions in relation to their audit findings. Council officers will be able to respond in relation matters raised in the audit and the actions being taken to address them.

3.00 CONSIDERATIONS

3.01 The Corporate Finance Management Team, (comprising of the Corporate Finance Manager and the Directorate and Corporate Finance Managers) has considered the report in detail, and where appropriate, actions have been put in place in conjunction with the managers of the relevant services to address the findings and recommendations included in the report.

3.02 In relation to the overall grants total of £193m, the net adjustment to claims of £0.044m is relatively small proportionate to the total. However, the report is welcomed and its findings and recommendations accepted.

3.03 It is pleasing to note that improvements have been made on the previous year, particularly in relation to the completion of the grant claim completion checklist. However, it is acknowledged that there are still improvements to be made in relation to the availability of supporting information.

3.04 Following discussions with WAO to address the above issue it has been agreed that all staff responsible for dealing with grants would benefit from a training session provided by WAO and this is being arranged over the summer.

4.00 RECOMMENDATIONS

4.01 Members are requested to note the content of the Grant Claim Certification for 2011/12.

5.00 FINANCIAL IMPLICATIONS

5.01 As detailed in the audit report.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 WAO Report.

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

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2011-12

Flintshire County Council

Audit year: 2011-12
Issued: May 2013
Document reference: 342A2013

Status of report

This document has been prepared for the internal use of Flintshire County Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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Summary report

Summary

1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
2. We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Flintshire County Council (the Council) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
3. We have completed the audit of claims and returns for 2011-12 and can conclude that the Council generally had adequate arrangements in place for the production and submission of its 2011-12 grant claims. The Council had addressed a number of recommendations that we made in our report in 2010-11, in particular, a grant completion checklist was completed for all claims. There is scope for further improvement and we make recommendations in paragraph 7 below. We will continue to work with the Council to make these improvements for 2012-13.

Detailed report

Headlines

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2011-12 grant claims and returns</p> <ul style="list-style-type: none">• As appointed auditors of the Council, we are asked on behalf of the Auditor General, to certify grant claims made by the Council.• For 2011-12, we certified 26 grants with a total value of £193 million.• At the start of our grant audit work for 2011-12, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed our approach for completing the grant work• We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.	Pages 8-13
Timely receipt of claims	<p>The majority of grants were received on time and where delays did occur they were minimal</p> <ul style="list-style-type: none">• Our analysis shows that 77 per cent of grants received during the year were received by the required deadline. However, whilst the Council submitted 23 per cent (six) of its claims late for audit, most of the claims had only minimal delays. We can confirm that two of the delayed claims required audit adjustments.• In future, the grant co-ordinator should ensure that all grant claims are submitted by the deadlines and, importantly, that replies to audit queries are typically provided within no more than two working days. We acknowledge that audit queries that relate to third parties' expenditure are likely to sometimes take longer to address, but it is imperative that queries are answered in a timely manner in order for the auditor certification deadline to be met.	Pages 8-13
Certification results	<p>We issued unqualified certificates for 18 grants and returns but qualifications were necessary in eight cases (31 per cent)</p>	Pages 8-13

	<ul style="list-style-type: none"> The reasons for qualifying the grants can be grouped into ongoing issues which have been reported in previous financial years and issues which have come to our attention (for the first time) during our grant work carried out in 2011-12: <ul style="list-style-type: none"> Qualification issues reported in previous financial years <ul style="list-style-type: none"> The Housing Benefit Subsidy claim (BEN01) was qualified for a number of issues relating to calculation of Housing Benefit payments, as was the case in previous years Lack of supporting evidence Claim not completed in accordance with Certification Instructions (CIs) Ineligible expenditure Qualification issues reported for the first time in 2011-12 <ul style="list-style-type: none"> Unable to fully reconcile to the ledger Welsh Government approval not sought for asset disposals Welsh Government approval not sought for virements Qualification issues outside the Council's control <ul style="list-style-type: none"> Claim not prepared correctly – pre-populated figures did not reconcile 	
<p>Audit adjustments</p>	<p>Adjustments were necessary to nine of the Council's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> There were three significant adjustments (ie, over £10,000). The NNDR claim was adjusted by £18,575 (increase), the HRA Subsidy claim was adjusted by £23,230 (decrease) and the Housing and Council Tax Benefits Scheme was adjusted by £35,875 (increase). The net adjustment of the nine grants is a reduction of £44,301.53 in funds payable to the Council. Excluding the significant adjustment to the three grants above, the net adjustment of the other six grants is an increase of £13,081.53 to the Council. 	<p>Pages 8-13</p>
<p>The Council's arrangements</p>	<p>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas</p>	<p>Pages 11-14</p>

	<ul style="list-style-type: none"> • During 2011-12, the Council ensured that it used the grant completion checklist for each claim, but in some instances the relevant documentation to support the claim, and as required by the checklist, was not available. • The Council should consider if training is required for those people having responsibility within their departments for letting contracts (however small) to ensure that they are aware of the correct procedures to be followed. • Extra procedures should be put in place to ensure that individual grant scheme rules are always adhered to throughout the Council. • The Council should ensure qualifications issues from previous years are addressed to eliminate their re-occurrence. • The Council should put in place systems and controls to ensure that where grant is passed to a third party to spend, that the organisation is complying with grant scheme rules by keeping adequate records of expenditure. 	
Fees	<p>Our overall fee for certification of grants and returns for 2011-12 is £137,682 which was just outside our original estimate of £100,000 to £135,000.</p> <ul style="list-style-type: none"> • This predominantly results from further follow up work, requested by the Department of Works and Pensions, on the Housing and Council tax Benefits claim. 	

Summary of certification work outcomes

4. **Exhibit 1** provides an overall summary of the key outcomes from our certification work on the Council's 2011-12 grants and returns. Detailed on the following page is a detailed summary showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

Exhibit 1 - Key information for 2011-12

Overall, we certified 26 grants and returns (with an aggregate value of £193 million):

- 14 were unqualified with no amendment
- 4 were unqualified but required some amendment to the final figures
- 3 required a qualification to our audit certificate with no amendment
- 5 were qualified and also required some amendment to the final figures
- Net amendments to claims resulted in a change in grant entitlement of £44,301.53

5. A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	National Non-Domestic Rates Return	21/08/12	24/08/12	Yes		+£18,575		✓
2	Land Drainage Scheme	N/A	12/04/12	N/A				✓
3	Transitional Schools Building Improvement	30/09/12	12/09/12	No				✓
4	Transitional Schools Buildings Improvement	30/09/12	12/09/12	No				✓
5	Learning Pathways	30/09/12	27/09/12	No	✓		+£7,803	
6	Welsh Learning Disability Strategy	31/08/12	28/08/12	No				✓
7	Transport Grant	31/08/12	31/08/12	No				✓
8	Teachers Pensions	29/06/12	27/06/12	No			+£0.01	✓
9	Communities First – Central Team	31/07/12	30/07/12	No				✓
10	Communities First – Rural North	31/07/12	30/07/12	No				✓
11	Communities First – Holywell Neighbourhoods	31/07/12	30/07/12	No	✓		-£51.25	
12	Communities First – Higher Shotton	31/07/12	30/07/12	No			+£66.61	✓
13	Communities First – Bryn Gwalia (Non-Core)	31/07/12	30/07/12	No				✓

14	Communities First – Bryn Gwalia (Core)	31/07/12	30/07/12	No	✓			+£5,070.61	
15	Communities First – Castle Ward (Non-Core)	31/07/12	30/07/12	No					✓
16	Communities First – Castle Ward (Core)	31/07/12	30/07/12	No	✓				
17	Cymorth	30/09/12	01/10/12	Yes	✓				
18	Flying Start	30/09/12	03/10/12	Yes	✓				
19	School Effectiveness Grant	30/09/12	28/09/12	No					✓
20	Social Care Work Development Programme	30/09/12	04/10/12	Yes					✓
21	Regional Transport Grant	30/09/12	04/10/12	No *					✓
22	Free Concessionary Travel	30/09/12	05/10/12	No*	✓			+£192.55	
23	HRA Subsidy	30/09/12	27/11/12	Yes			-£23,230		✓
24	Substance Misuse Action Fund	30/09/12	10/10/12	Yes					✓
25	Housing & Council tax Benefits Scheme	31/04/12	27/04/12	No	✓		+£35,875		
26	Sustainable Waste Management	31/10/12	27/07/12	No					✓
Total					8	£31,220	£13,081.53		18

* These claims were late due to problems with the forms and the Welsh Government confirmed they would not hold authorities to the deadline.

6. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 9 to 10.

Ref	Summary observations	Amendment
1	<p>NNDR (LA01)</p> <ul style="list-style-type: none"> The amendment, which increased the contribution to the pool by £18,575, resulted from the combined errors identified in four lines of the claim. (Recommendation 1) 	+ £18,575
2	<p>Learning Pathways (EDU43)</p> <ul style="list-style-type: none"> The Better Schools Fund claim was qualified for lack of adequate supporting documentation and the lack of a rational to support apportionment of staff costs. (Recommendation 2) The amendment resulted because there was a lack of supporting evidence in relation to travel costs, which were removed from the claim. (Recommendation 2) 	+ £7,803
3	<p>Teachers Pension (PEN05)</p> <ul style="list-style-type: none"> There was a minor adjustment as a result of a calculation error. 	+ £0.01
4	<p>Communities First – Holywell Neighbourhoods (RG02)</p> <ul style="list-style-type: none"> The claim was qualified because prior approval was not obtained for an asset disposed of, which is contrary to certification instructions. (Recommendation 3) The amendment resulted from testing which confirmed that this was ineligible expenditure. (Recommendation 4) 	-£51.25
5	<p>Communities First – Higher Shotton (RG02)</p> <ul style="list-style-type: none"> The amendment resulted from testing which confirmed that this was ineligible expenditure. (Recommendation 4) 	+ £66.61

Ref	Summary observations	Amendment
6	<p>Communities First – Bryn Gwalia (Core) (RG02)</p> <ul style="list-style-type: none"> The claim was qualified because testing identified that the asset register was incomplete as it did not include any prices or dates when assets were purchased. (Recommendation 5) The amendment resulted from testing and was made up of an incorrectly coded item, ineligible expenditure and an item included in the wrong year. (Recommendation 4) 	+ £5,070.61
7	<p>Communities First – Castle Ward (Core) (RG02)</p> <ul style="list-style-type: none"> The claim was qualified because testing identified two assets that had been disposed of for which prior approval had not been sought from the Welsh Government. (Recommendation 5) 	£0
8	<p>Cymorth (EYC14)</p> <ul style="list-style-type: none"> The claim was qualified because testing identified a number of issues that could not be resolved. These included ineligible expenditure, issues with reconciling expenditure to the ledger, and issues with the pre-populated figures in the appendix to the claim not totalling correctly. (Recommendation 4) 	£0
9	<p>Flying Start (EYC01)</p> <ul style="list-style-type: none"> The claim was qualified because testing identified a number of issues that could not be resolved. These included ineligible expenditure, no approval sought for virements between differing heads of expenditure, and a lack of supporting documentation for two items of expenditure. (Recommendation 3 & 4) 	£0
10	<p>Free Concessionary Travel (TRA23)</p> <ul style="list-style-type: none"> The claim was qualified because the Council only achieved an overall percentage of data provided via the SmartCard system of 97.01 per cent, and had not achieved the required target of 98 per cent. (Recommendation 1) The amendment resulted from an incorrect calculation. 	+ £192.55

Ref	Summary observations	Amendment
11	<p>HRA Subsidy (HOU03)</p> <ul style="list-style-type: none"> The amendment resulted from testing which confirmed an incorrect calculation that resulted in changes to a number of lines in the claim, and this resulted in a decrease to the amount payable by the Council. (Recommendation 1) 	-£23,230
12	<p>Housing & Council Tax Benefits Scheme (BEN01)</p> <ul style="list-style-type: none"> The claim was qualified for the following reasons: HRA - Proof of self employed earnings (Recommendation 2) Rent Allowances – Issues related to tenancy agreements (Recommendation 1) Council Tax – Overpayments misclassified (Recommendation 1) Rent Allowances – Overpayments misclassified (Recommendation 1) Rent Allowances – Incorrect entries in relation to non statutory valuations. (Recommendation 1) <p>The claim was amended as follows:</p> <ul style="list-style-type: none"> A number of separate amendments were required to the claim, which resulted in an increase to the amount payable to DWP by £35,875. <p>In conducting our audit work, we found that a number of calculations were not readily supported by adequate documentation.</p> <p>Following on from our audit work on the 2011-12 claim, and as part of our work on the 2012-13 claim, we will review the Council's quality control processes in respect of the housing and council tax benefit scheme, to assess how the Council is ensuring that the qualification issues arising on the audit of the claim are addressed.</p>	+ £35,875
Total effect of amendments to the Council		+ £44,301.53

Recommendations

7. We make the following recommendations to improve the councils grant arrangements. We will follow up these recommendations during next year's audit.

Recommendations

R1	The Council should ensure that claim forms are completed in accordance with the relevant grant terms and conditions.
R2	The Council should strengthen arrangements to ensure that each claim's financial transactions and other information are fully supported by source prime documents, such as ledger prints, invoices, calculation of apportionments, timesheets etc.
R3	The Council needs to ensure that it obtains prior approval for changes to the original plans/expenditure profiles from the grant awarding body, including virements, before the claim is authorised by the Council's certifying officer and submitted for audit.
R4	The Council needs to ensure that only eligible expenditure, including that incurred within the claim period, should be included within the claim. Advice should be sought from the grant awarding body prior to the claim completion for any concerns about the expenditure eligibility, and evidence of that correspondence provided with the claim.
R5	Where claims include assets, then the Council should maintain an asset register which contains all relevant details. Where assets being disposed of have previously been purchased from grant funding then the Council should obtain prior approval from the grant awarding body prior to disposal.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 30 JULY 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **AUDIT COMMITTEE TERMS OF REFERENCE**

1.00 PURPOSE OF REPORT

1.01 To seek member's agreement to changes to the Audit Committee Terms of Reference, Article Seven in the Council Constitution.

2.00 BACKGROUND

2.01 It is good practice to consider the Terms of Reference of the committee on a regular basis. The Terms themselves state that this should be done annually.

2.02 The Role of the Audit Committee was updated last year to take into account the changes introduced by the Local Government Measure. However, at that time the remainder of the Terms were not reviewed.

2.03 The last review took place some years ago. During that time the areas of responsibility of the committee have widened considerably. The changes outlined below reflect current practice rather than expanding the areas of responsibility further.

2.04 A full review has now taken place and the proposed changes are shown in Appendix A.

3.00 CONSIDERATIONS

3.01 To aid clarity and show the changes more clearly, they are shown using track changes and under the existing overall headings. If they are agreed the bullet points will be re-ordered into the same four headings as in the Role.

3.02 The main changes are:-

- The role of the committee is clarified in terms of financial affairs.
- The work of the committee is specified for risk management, corporate governance, treasury management and collaborations.

- The review of the Anti Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy is included.
- Reports from other regulatory bodies are included.
- Approval of the Internal Audit Charter, the receipt of the Annual Report and the monitoring of performance indicators is included
- A strengthening of reporting on the implementation of audit recommendations.
- From the Local Government Measure, the ability of the committee to require the presence of a member or officer (previously 'request').
- The frequency of meetings as laid down by the Local Government Measure – at least once a year, but as many as the committee wants.
- The training requirements for the committee.
- The need for the committee to act apolitically is stated.

3.03 After approval by the committee it is intended to take these changes and any further changes made by the committee to the Constitution Committee.

4.00 RECOMMENDATIONS

4.01 The committee is requested to consider and approve the changes, and make any amendments it feels necessary.

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 Audit Chair and Vice Chair, WAO, Chief Executive, Head of Finance, Head of Legal and Democratic Services, Democracy and Governance Manager.

11.00 CONSULTATION UNDERTAKEN

11.01 Audit Chair and Vice Chair, WAO, Chief Executive, Head of Finance, Head of Legal and Democratic Services, Democracy and Governance Manager.

12.00 APPENDICES

12.01 Draft Terms of Reference for the Audit Committee.

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

Local Government Measure 2011 and Guidance to the Measure.

Contact Officer: David Webster
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Article 7 - The Audit Committee

7.01 Role

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

- (a) Review the effectiveness of the Authority's systems of 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;
- (b) 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 County Council;
- (c) Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.
- (d) 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.

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A. Internal Control

- Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and risk management.
- Understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- Understand the controls and processes implemented by management to ensure the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
- Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the internal and external auditors have been implemented by management.

- Review and assure the Risk Management Strategy through regular reports on risk management and business continuity plans, processes and outcomes.
- Consider and assure the annual draft Annual Governance Statement and make appropriate recommendations/observations prior to its submission to the Council's Regulators.
- Consider and assure the annual update of the Code of Corporate Governance
- Review and assure the Treasury Management Strategy and Policy and consider quarterly updates on Treasury Management and make appropriate recommendations / observations to the Cabinet.
- Ensure the rigorous application of the agreed protocol for the reporting and decision making over business cases for collaborative projects, the management of the transition for approved collaborations, and the subsequent performance management arrangements for the new collaborative services.

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B. Compliance with Law and Regulations

- Keep under review the Council's financial procedure rules and contract procedure rules and all other corporate directions concerning financial control.
- Receive reports on all fraud identified and any other special investigations, and action taken.
- Keep under review the Council's Anti Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy
- Obtain regular updates from management and legal advice regarding compliance matters, and be satisfied that all compliance matters have been considered in preparing the financial statements.

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C. Financial Reporting

- Receive the draft annual Statement of Accounts, together with the underlying accounting policies for information. Consider and comment on the final statement of accounts following the receipt of the proposed audit opinion from the Wales Audit Office prior to recommending their approval to the Council.
- Gain an understanding of the current areas of greatest risk around financial controls and advise and assure on risk management.

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- Meet with management and external auditors to review the financial statements, the key accounting policies and judgements, significant accounting and reporting issues and their impact on financial reports, and the results of the audit.
- Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.

D. External Audit

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

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 <#>Review the other sections of the Annual Report and the Statements of Accounts and consider whether the information is understandable and consistent with members' knowledge of the Authority and operations and lacks bias. ¶

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E. Internal Audit

- Promote the role of internal audit within the Council, as a key element of its control environment.

- Review and approve the Internal Audit Charter outlining the role, scope, independence, authority, responsibility and reporting of the department

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- Review, approve (but not direct) and monitor the delivery of the internal audit plan and the risk assessment exercise on which the plan is based, and ensure it considers changes arising from Government, Assembly or Council initiatives.

- Receive summaries of all internal audit reports issued, highlighting key recommendations and recommendations of reports with corporate control implications.

- Monitor the implementation of agreed recommendations contained within internal audit reports, receive reports on recommendations not implemented within agreed timescales and seek explanations from officers where required.

- Ensure that no management restrictions are placed in the scope of audit's examinations.

- Meet separately with the Internal Audit Manager to discuss any matters that the committee or internal auditors believe should be discussed privately.

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- Keep under review the organisational structure and resource requirements of the Internal Audit Section.

- Discuss with the external auditor the standard of work of internal audit staff.

- Receive the Internal Audit annual report and ensure that the annual opinion is reflected in the Annual Governance Statement.

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- Keep performance indicators under review and evaluate on an annual basis the performance and effectiveness of internal audit and its compliance with best practice.

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F. General

- Require the attendance at the Committee of any officer or member, or the submission of a report from any officer, to provide further explanation in connection with any of the above terms of reference.

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- Arbitrate in the event of any failure to agree between a Director or Head of Service and internal audit.

- Keep under review the joint working arrangements of the Council's internal and external auditors.

- Evaluate the committee's own performance, both of individual members and collectively, on a regular basis.

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- The Committee must meet at least once a year and must also do so if the Council decides or if at least a third of the committee's members require a meeting. Beyond those requirements the committee can meet whenever it likes.

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

7.02 Form and Composition

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The Chair and Vice-Chair of the Audit Committee will be chosen by the Committee itself at its first meeting following each annual general meeting. The Chair and Vice Chair of the Audit Committee will be chosen from amongst the opposition group(s), non aligned Councillors or lay member on the Council (that is to say from amongst the group(s) none of whose members are included in the Cabinet). The County Council shall appoint one person who is neither a serving Councillor nor an officer of the County Council or any other Council to serve as a lay member of the Committee with full voting rights. The lay member's term of office shall be from the first County Council meeting following the annual general meeting following the County Council elections until the first County Council meeting after the annual general meeting following the next County Council elections. No more than one member of the Committee shall be on the Council's Cabinet. The Council Leader cannot be a member of the Committee.

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

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

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Members will receive induction training on appointment to the Committee. Ongoing training will be provided as necessary to meet the requirements of the Committee, based on the skills and experience of the members.

The business of the Committee shall be conducted apolitically

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 30 JULY 2013**
REPORT BY: **HEAD OF FINANCE**
SUBJECT: **INTERNAL AUDIT CHARTER**

1.00 PURPOSE OF REPORT

1.01 To outline to members the updated Internal Audit Charter.

2.00 BACKGROUND

2.01 The Internal Audit department has had a charter since 2002. It was last updated in 2011 and presented to the Audit Committee at that time. The charter formalises the status, independence and responsibility of the department and is part of the Constitution.

2.02 New Public Sector Internal Audit Standards (PSIAS) were published in April 2013, replacing the CIPFA Code of Practice for Internal Audit in Local Government. The new standards must be followed by all internal audit departments in local government. They include new requirements for the content of an audit charter. The Flintshire charter has therefore been updated to allow for these changes.

Most of the changes simply reflect current and long established practice, but have not previously been written into the charter.

3.00 CONSIDERATIONS

3.01 The PSIAS require that the role, scope, independence, authority and responsibility of the Internal Audit department be formally defined in a charter. Within Flintshire County Council that is achieved by the audit charter being approved by the Audit Committee and appearing within the constitution.

3.02 The proposed new charter is attached. Tracked changes have been used to identify the updates from the existing charter.

The main changes include:

- Reference to the PSIAS and Code of Ethics
- A change in wording to the definition of internal audit
- The inclusion of responsibility for auditing partnerships and collaborations
- The areas of responsibility of the Audit Committee and the line management of the IA Manager

4.00 RECOMMENDATIONS

4.01 The Committee is requested to approve the updated Internal Audit Charter.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Internal Audit Charter Appendix A

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

PSIAS
CIPFA Application Note

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INTERNAL AUDIT CHARTER

Introduction

Internal Audit is a statutory independent review function, covered by the Accounts and Audit Regulations 2005 (Wales). It is set up within the Finance Division as a service to the Council, and all levels of management. It supports the Head of Finance, the “responsible officer” (Section 151 officer under the Local Government Act 1972), in meeting her statutory responsibilities for the proper administration of financial affairs.

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Public Sector Internal Audit Standards (PSIAS) published in 2013 define the activity and standards that must be met. They are mandatory for all internal audit departments in the UK public sector.

They include a Code of Ethics which Internal Auditors must conform to, covering integrity, objectivity, confidentiality and competency.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Definition of Internal Audit

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

It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

Deleted: In the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, The Chartered Institute of Public Finance Accountancy (CIPFA) states that ‘Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.’

Role and Scope of Internal Audit

The role of Internal Audit is to provide the Authority, through the Audit Committee with an independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements. The department reviews, appraises and reports on:

- The adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;

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- The extent of compliance with and relevance of, policies, standards, plans and procedures established by the County Council and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause, and that adequate business continuity plans exist;
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, clarify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;
- The follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- The operation of the Council's corporate governance arrangements;
- The potential within the Council for fraud and other violations through the analysis of systems of control in high-risk operations.

The Internal Audit department completes advisory / consultancy work in agreement with Directors, Heads of Service and Senior Managers by responding to requests for audit reviews and by contributing to projects and working groups throughout the Authority.

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Where the Authority has entered into a partnership with other organisations the partnership arrangement will be subject to review. In addition, where Flintshire County Council is the lead authority of a partnership or collaboration, the work undertaken will be subject to review by Flintshire Internal Audit.

All managers are responsible for applying controls to reasonably prevent and detect fraud. Furthermore, internal audit is not responsible for identifying fraud, however it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work. All actual or suspected incidents of fraud, corruption or impropriety should be reported without delay to Internal Audit in accordance with Financial Procedure Rules (ref 11.17e). The internal audit department investigates fraud and irregularity in terms of:

- The undertaking of investigations into reports of violations of the Council's

regulations or criminal activities i.e. fraud against the Council

- The undertaking of investigations of reports from staff, other persons engaged in activities on behalf of the Council and members of the public, reporting perceived cases of possible violations of rules or regulations, mismanagement, misconduct, or fraudulent abuse of authority.

The investigation of Housing and Council Tax Benefit fraud is undertaken by the Benefits Fraud Team, however Internal Audit will overview these procedures.

Where it is thought necessary, External Audit may conduct investigations, either in liaison with Internal Audit or independently.

Independence and Authority

Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management.

To ensure independence, Internal Audit operates within a framework that gives it the authority to:

- have unrestricted access to all activities undertaken in the Council.
- have unrestricted access to all functions, records and property, including those of partner organisations. In very exceptional circumstances if the “responsible officer” (Section 151 Officer) and Monitoring Officer believe this would constitute a breach of the laws of confidentiality, or the provisions of the Human Rights Act or the Data Protection Act the matter will be referred to the Audit Committee for consideration.
- have full and free access to the Audit Committee via the Internal Audit Manager, and an annual private meeting with the committee;
- have full and free access to the Chief Executive, Head of Finance, Monitoring Officer, Chair and Vice Chair of the Audit Committee and External Auditors via the Internal Audit Manager;
- have unrestricted access to senior management, members and all employees;
- receive any information and explanation considered necessary concerning any matter under consideration from all Members and Officers;
- require any employee of the Council to produce or account for cash, stores or any other Council asset or asset of a third party under his or her control;
- allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall audit objectives;
- issue audit reports in its own name.

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The Internal Audit department is part of the Finance Division within Corporate Services and the Manager reports to the Head of Finance and through her to the Corporate Management Team. He also reports to the Audit Committee.

The department's budget is approved annually as part of the Council's overall budget. Remuneration and arrangements for the appointment and removal of the Internal Audit Manager are managed in accordance with the Council's adopted HR policies.

The Audit Committee is responsible for

- approving the internal audit charter
- approving the internal audit plan
- receiving reports from the Internal Audit Manager on the departments performance relative to its plan and other matters
- making appropriate enquiries of management and the Internal Audit Manager to determine whether there are inappropriate scope or resource limitations

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Every effort is made to preserve objectivity by ensuring that all members of internal audit staff are free from any conflicts of interest and do not undertake any non-audit duties. Internal Audit has complete segregation from Council operations and is not responsible for the management of areas that are audited. The Internal Audit Manager and internal audit staff are not authorised to:

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- perform any operational duties associated with the Authority;
- initiate or approve accounting transactions on behalf of the Authority
- direct the activities of any employee unless specifically seconded to Internal Audit

Audit Responsibility

The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in doing this it will adopt a predominantly risk-based approach to audit.

The Internal Audit Manager is required to manage the provision of a complete audit service to the Council that will include systems, regularity, computer and advisory audit in addition to the investigation of potential fraud and irregularity. In discharge of this duty, the Internal Audit Manager has a responsibility to:

- prepare a rolling strategic risk-based audit plan in consultation with Directorate senior management and the Corporate Management Team, for formal ~~approval~~ by the ~~Audit Committee~~. ~~This strategic plan is regarded as flexible rather than as an immutable expression of audit policy;~~
- translate the strategic plan into annual plans for formal agreement with the Head of Finance, Corporate Management Team and Audit Committee;
- implement the audit plan as approved, including any additional work requested by management and the Audit Committee;
- ensure that the scopes of individual audit assignments are agreed with departmental management;
- prepare and maintain an Audit Manual detailing departmental procedures and standards;
- ensure a system of close supervision of audit work, and maintain a Quality Assurance and Improvement Programme of internal and external assessments;
- maintain knowledge, skills and expertise within the section specifically for the investigation of fraud and irregularity;
- bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes;
- highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe;
- undertake follow up reviews and recommendation tracking to ensure management has implemented agreed internal control improvements within specified and agreed timeframes;
- liaise with the external auditor for the purpose of providing optimal audit coverage to the Authority;
- prepare, for agreement with the Head of Finance, annual reports on audit and special investigation activities for presentation to the Audit Committee, and such other reports on audit issues as may be required by the Head of Finance or the Audit Committee.

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All audit work contributes to the overall review of effectiveness of the control environment. The Internal Audit Manager is also a member of the Corporate Governance Working Group which undertakes this review and prepares the draft Annual Governance Statement for consideration by the Audit Committee and Council.

All Internal Audit activity is carried out in accordance with Financial Procedure Rules and PSIAS requirements. In order to maintain an audit presence and sound, informal lines of communication, as much audit work as possible will be done on location. Internal Audit testing may go beyond the records and involve observations and interviews.

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Audit Resources

The staffing structure of the section will comprise qualified Internal Auditors, Accountants and Accounting Technicians with a mix of professional specialisms to reflect the varied functions of the section.

Internal Audit will not participate in the day-to-day operation of any systems of internal financial control. However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a temporary basis.

Upon request from the Head of Finance, appropriate specialists from other Directorates and departments should be made available to take part in any audit review requiring specialist knowledge.

Audit Training

The Internal Audit Manager carries out a continuous review of the development and training needs of all audit personnel through the Authority's appraisal system and will arrange, within budget provision, in-service training covering both internal and external courses.

Specific resources are devoted to specialised training in relation to computer audit, contract audit and fraud investigation to keep abreast of developments.

Audit Reporting

All audit assignments are the subject of formal reports. Debrief meetings are held with the managers responsible for the area under review for agreement to the factual accuracy of findings. After agreement, draft reports are issued to the manager and director of the department under review. Once the recommendations and action points have been agreed, final reports are issued. The Internal Audit Manager considers the release of special investigations audit reports for disciplinary purposes on a case-by-case basis. Access to audit files is restricted to the Head of Finance and External Auditor, and the Monitoring Officer where it is within his remit.

The Internal Audit Manager issues progress reports to the Audit Committee and management summarising outcomes of audit activities, including follow up reviews and the tracking of audit recommendations. These are presented at every Audit Committee meeting.

The assignment opinions that audit provides during the year are part of the framework of assurances that assist the Authority to prepare an informed Annual Governance Statement.

Internal Audit provides the Head of Finance with an opinion on the adequacy and effectiveness of the Authority's governance, risk management and control arrangements. In giving the opinion it should be noted that assurance can never be absolute, the most that can be provided is a reasonable assurance that there are no major weaknesses in governance, risk management and control processes. The annual opinion is provided in the Annual Report after the year end.

Performance Reporting

Performance Indicators for Internal Audit are reported to each Audit Committee meeting and ~~to the Head of Finance.~~

The department participates in benchmarking within ~~the Wales Chief Auditors Group.~~

Results are reported ~~to the Audit Committee.~~

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Related Documents

This document is one of a series that, together, constitute the policies of the Council in relation to anti-fraud and corruption measures. The other documents are:

- Financial Procedure Rules and Contract Procedure Rules;
- Anti Fraud and Corruption Strategy;
- Fraud and Irregularity Response Plan;
- Whistle-blowing Policy;
- Disciplinary Procedure

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 30 JULY 2013**
REPORT BY: **HEAD OF FINANCE**
SUBJECT: **ACTION TRACKING**

1.00 **PURPOSE OF REPORT**

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

2.00 **BACKGROUND**

2.01 At previous meetings requests for information or reports have been made. This paper summarises those points and provides an update on the actions resulting from them.

3.00 **CONSIDERATIONS**

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

4.00 **RECOMMENDATIONS**

4.01 The committee is requested to accept the report.

5.00 **FINANCIAL IMPLICATIONS**

5.01 None as a direct result of this report.

6.00 **ANTI POVERTY IMPACT**

6.01 None as a direct result of this report.

7.00 **ENVIRONMENTAL IMPACT**

7.01 None as a direct result of this report.

8.00 **EQUALITIES IMPACT**

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

12.01 Appendix A – Summary of Action Points.

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

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Email: david.webster@flintshire.gov.uk

AUDIT COMMITTEE ACTION SHEET

25TH SEPTEMBER 2012

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
4	Statement of Accounts	Disclosure of details of related party transactions (WAO para 30) - the Democracy & Governance Manager to work with the Head of Finance to improve the chasing up system.	K Feather / P Evans	All received for this financial year.

12TH DECEMBER 2012

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

13TH MARCH 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
62	Audit of Financial Statements 2011/12 - Issues Raised	That the objective set for the practice of balancing entries to end by no later than the closure of the 2013/14 accounts and for officers to aim to improve practices by the 2012/13 accounts, be noted.	K Feather / L Thomas	Significant progress has been made in identifying the accounting entries that were the underlying cause of the balancing entries contained within the 2011/12 accounts. Revised procedures have been put in place for closure of the 2012/13 accounts. The draft 2012/13 accounts were produced by the statutory deadline of 30 th June 2013. No balancing entries were contained within the comprehensive income and expenditure statement. Unfortunately, it was not possible to eliminate all balancing entries in the cashflow statement. Officers continue to work on this with the aim of eliminating the entries in the cashflow statement for the production of the final statement in September and resolving the matter fully in the 2013/14 accounts.

12TH JUNE 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
6	Collaborative Projects Arrangements	The protocol for collaborative projects should be developed to include the role of the Audit Committee	C Everett	Collaboration protocol to be completed and applied with specific references to the roles of Cabinet, Audit and Overview and Scrutiny Committees.
7	Briefing meeting held on 22 nd February 2013	A further joint meeting to be arranged	P Evans	Meeting took place on 23 rd July 2013.
10	Internal Audit Annual Report	Officers consider options for more member involvement in the preparation of the Annual Governance Statement.	P Evans	Options have been considered. Members were given an informal briefing on the Annual Governance Statement on the 3 rd July 2013, resulting in changes to the AGS.
10	Internal Audit Annual Report	The IA Manager to consider the suggestion for future annual reports to include an additional set of data on the outstanding number of recommendations still relative to the reporting period.	D Webster	Agreed. Data to be collated during the year and included in the next Annual Report.
11	Internal Audit Progress Report	A report on school banking arrangements be included in the Committee's Forward Working Programme	K Feather	Paper to the meeting on 17 th July.

12TH JUNE 2013

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
11	Internal Audit Progress Report	The IA Manager to provide the committee with a copy of the audit report on Leisure Centre Income	D Webster	Report issued on 20 th June 2013.
11	Internal Audit Progress Report	The IA Manager to amend the Recommendation Tracking report to read Recommendation Implementation	D Webster	To be completed for the September committee
11	Internal Audit Progress Report	The Chief Executive to discuss with Cllr Attridge the suggestion for relevant Cabinet Members to be involved in responding to outstanding recommendations	C Everett	Outstanding audit recommendations which are fundamental or significant which have been escalated to directors will be shared with cabinet members by the Chief Executive and Audit Manager if they are not assured that there is corrective action in place to comply.
11	Internal Audit Progress Report	The Head of Finance to be invited to respond to outstanding recommendations for her section at a future meeting	K Feather	September meeting.
14	Forward Work Programme	Update to include items on school banking arrangements and section 106 agreements	D Webster	Completed.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 30 JULY 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 for the work of the committee, it will be subject to change as necessary during the year. Changes will be notified to the Committee when they become known. Members may also wish to propose subjects for future reports or discussion.

4.00 RECOMMENDATIONS

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

5.00 FINANCIAL IMPLICATIONS

5.01 None arising directly from this report.

6.00 ANTI POVERTY IMPACT

6.01 None arising directly from this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None arising directly from this report.

8.00 EQUALITIES IMPACT

8.01 None arising directly from this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None arising directly from this report.

10.00 CONSULTATION REQUIRED

10.01 Not applicable.

11.00 CONSULTATION UNDERTAKEN

11.01 Publication of this report constitutes consultation.

12.00 APPENDICES

12.01 Current Forward Work Programme (Appendix 1)

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

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AUDIT COMMITTEE
FORWARD WORK PROGRAMME 2013/14 and 2014/15

MEETING DATE	AGENDA ITEM	AUTHOR
25 September 2013	<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 • Section 106 Agreements • Risk Management report • Risk Management update 	Liz Thomas David Webster David Webster David Webster Head of Planning David Webster Vicki Woolf
7 October 2013	<ul style="list-style-type: none"> • Treasury Management Mid Year Updates • Audit of Data Protection by the Information Commissioners Office • Finance Recommendation Implementation 	Liz Thomas Peter Evans Kerry Feather
18 December 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report • Action Tracking • Forward Work Programme • Risk Management update 	David Webster David Webster David Webster Vicki Woolf
29 January 2014	<ul style="list-style-type: none"> • Treasury Management Update and Strategy • Annual Report on external inspections 	Liz Thomas Gareth Owens
26 March 2014	<ul style="list-style-type: none"> • Improvement Assessment Letter (WAO) • Annual Financial Audit Outline (WAO) • Treasury Management Update • PSIAS compliance 	Liz Thomas David Webster

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