

Public Document Pack

Gareth Owens LL.B Barrister/Bargyfreithiwr
Chief Officer (Governance)
Prif Swyddog (Llywodraethu)



To:

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

CS/ST

26 May 2015

Paul Williams

Sharon Thomas 01352 702324
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Dear Sir / Madam

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD CH7 6NA** on **WEDNESDAY, 3RD JUNE, 2015** at **2.45 PM** to consider the following items.

*** Please note that the meeting will commence at 2.45pm or on the rising of the informal meeting of the Committee, whichever is the latest.**

Members are also reminded that an iPad drop-in session has been arranged for 2pm (to which all Council Members have been invited).

Yours faithfully

Democracy & Governance Manager

AGENDA

- 1 **APPOINTMENT OF CHAIR**
To appoint a Chair of the Committee.
- 2 **APPOINTMENT OF VICE-CHAIR**
To appoint a Vice-Chair of the Committee.
- 3 **APOLOGIES**
- 4 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

- 5 **MINUTES** (Pages 3 - 12)
To confirm as a correct record the minutes of the meeting held on 18 March 2015 (copy enclosed).
- 6 **AUDIT REPORT ON MOBILE 'PHONES** (Pages 13 - 18)
Report of Chief Officer (Governance) enclosed.
- 7 **WALES AUDIT OFFICE REVIEW OF THE COUNCIL'S WHISTLEBLOWING ARRANGEMENTS** (Pages 19 - 28)
Report of Internal Audit Manager enclosed.
- 8 **RISK MANAGEMENT UPDATE** (Pages 29 - 40)
Report of Chief Executive enclosed.
- 9 **PROTOCOL INTERNAL AND EXTERNAL AUDIT** (Pages 41 - 52)
Report of Internal Audit Manager and Wales Audit Office enclosed.
- 10 **CERTIFICATION OF GRANT CLAIMS AND RETURNS 2013/14** (Pages 53 - 78)
Report of Corporate Finance Manager enclosed.
- 11 **FINANCIAL PROCEDURE RULES** (Pages 79 - 154)
Report of Chief Officer (People and Resources) enclosed.
- 12 **INTERNAL AUDIT PROGRESS REPORT** (Pages 155 - 188)
Report of Internal Audit Manager enclosed.
- 13 **INTERNAL AUDIT ANNUAL REPORT 2014/15** (Pages 189 - 200)
Report of Internal Audit Manager enclosed.
- 14 **ACTION TRACKING** (Pages 201 - 206)
Report of Internal Audit Manager enclosed.
- 15 **FORWARD WORK PROGRAMME** (Pages 207 - 210)
Report of Internal Audit Manager enclosed.

AUDIT COMMITTEE **18 MARCH 2015**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 18 March 2015

PRESENT: Councillor Tim Newhouse (Chairman)

Councillors: Glyn Banks, Haydn Bateman, Alison Halford, Ian Roberts and Arnold Woolley

LAY MEMBER: Mr Paul Williams

IN ATTENDANCE:

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

Mr. John Herniman, Ms. Amanda Hughes and Mr. Huw Lloyd Jones of Wales Audit Office

Policy & Performance Manager (for minute number 63)

Finance Manager - Technical Accountancy (for minute number 65)

58. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

There were no declarations of interest.

59. MINUTES

The minutes of the meeting of the Committee held on 28 January 2015 were submitted.

RESOLVED:

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

60. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update report on progress of the Internal Audit department. No major issues were reported on the Audit Plan which was generally on track. An update was given on changes made to the Plan and the implementation of the integrated audit software which was progressing well.

On finalised reports, more detail was provided on the findings of those where high level recommendations had been made. Following concerns raised by Mr. Paul Williams on the overpayment of provider invoices, the Internal Audit Manager explained how the errors has arisen in this particular section and confirmed that there had been no evidence of fraudulent activity, with £20K recovered to date and arrangements made to recover the remaining amount. In

response to comments from the Chairman, he agreed to ascertain the number of staff involved in this issue.

On mobile phones and devices usage, Councillor Ian Roberts referred to the process for monthly declarations by Members on their usage and suggested that a system be introduced for officers to complete a one-off declaration to confirm that their acceptance of a Council mobile phone would not involve personal use. The Internal Audit Manager advised that the recommended review of mobile devices was now underway. Following a request from the Chairman, he agreed to provide a report on the breakdown of costs by department.

Queries were raised by Councillor Alison Halford on further monitoring the use of mobile devices, particularly for accessing social media. The Chief Executive pointed out that telephone calls and text messages were chargeable on mobile devices whereas internet use was available at no cost through the Council's Wi-fi.

In response to a further reassurance sought by the Chairman, the Chief Executive explained the role of the IT section in co-ordinating the provision of mobile phones, with allocation and usage reviewed by Chief Officers and senior managers. Whilst acknowledging that this had been an unregulated system, there was no evidence to suggest any widespread abuse. The total cost was low, given the number of devices, perhaps partly due to the increased use of email at no cost if accessed through Wi-fi. It was noted that a number of officers used their own personal devices at their own expense and some were issued Council mobile phones to specifically respond to callout alerts.

The Chairman requested that the Committee receive a breakdown of the types of electronic devices issued by the Council.

On staff recruitment and induction, Mr. Williams raised concerns at the findings and sought assurance that explanations would be received if recommendations had not been implemented by the impending due dates. The Internal Audit Manager confirmed that this information would be included as part of the recommendation tracking update in the next report due in June 2015. The Chief Executive gave assurance that recommendations would be followed up with Human Resources on the development of an e-module for employment contracts and corporate induction.

In response to a query from Councillor Haydn Bateman, the Internal Audit Manager explained that schools had been requested to undertake a Control and Risk Self-Assessment (CRSA), the results of which had been used to identify audits on those topics at particular schools. Work had started on the audits, with the results due to be reported to the Committee in June 2015.

For recommendations not implemented, the Internal Audit Manager confirmed receipt of the two management responses in respect of procurement and income from fees and charges, since drafting the report.

RESOLVED:

That the report be approved.

61. **ANNUAL IMPROVEMENT REPORT AND THE CORPORATE ASSESSMENT REPORT OF THE AUDITOR GENERAL FOR WALES FOR FLINTSHIRE**

The Chief Executive invited Mr. Huw Lloyd Jones of the Wales Audit Office (WAO) to present the Council's Annual Improvement Report published by the Auditor General for Wales. The report contained the Annual Audit Letter, which had been reported to the previous meeting of the Committee, and the findings of the Corporate Assessment carried out in September 2014. This work by WAO had continued beyond this date to ensure that information was updated. In line with the usual practice, the Council's Executive response was presented for endorsement.

The Chief Executive explained that the report had been presented to Cabinet and would be submitted to the Corporate Resources Overview & Scrutiny Committee the following month. He went on to clarify the role of the Audit Committee in determining whether the report was proportionate.

Mr. Lloyd Jones explained the arrangements for Corporate Assessments to be undertaken on a four year cycle across all Welsh Councils. He added that the outcomes within the report were not solely based on the work in September 2014, but also reflected work prior to and after this period, partly due to the implementation of a new operational model at that time. He confirmed that, despite this significant change, the Council had engaged fully with WAO representatives on the Corporate Assessment and that prior to recent publication of the full report, verbal feedback had been given to the Council with an action plan currently being progressed. A summary of the full report, which had been prepared by WAO, was appended to the report and included the key messages. The Chairman confirmed that the Committee had been provided with copies of the full report in advance of the meeting.

Mr. Lloyd Jones stressed that the Council's report was mainly positive and gave an overview of the four main headings in respect of improvement issues, as this was the focus of the Committee. He confirmed that there were no statutory recommendations and detailed the seven advisory proposals for improvements, as set out in the report, which were being progressed by the Council.

The Chief Executive agreed that this was a positive report and agreed with the observations by WAO which gave no cause for major concern. He provided further detail on the Council's Executive response, prepared by Cabinet and senior officers, to address the seven proposals for improvement and highlighted the overlap of remit on some matters, for example the review of the Medium Term Financial Plan which would be reported to the Corporate Resources Overview & Scrutiny Committee no later than June 2015. Whilst detailing actions for the proposed improvement on workforce planning, attention was drawn to the national report recently produced by WAO which had identified Local Government in the public sector as the most cost-effective on policies and practices in this area, with all of its recommendations met or exceeded in Flintshire.

In response to a query from Councillor Haydn Bateman, Mr. Lloyd Jones explained that the four main conclusion headings within the report were each

supported by lower level sub-headings within the full Annual Improvement Report.

Mr. Paul Williams agreed that this was a largely positive report. On the need to develop a consistent approach to business planning, he spoke of the importance of linking this with employee appraisals and referred to concerns previously raised on the implementation of the appraisal system and the need for involvement by the relevant Cabinet Member.

The Chief Executive explained that responsibility for appraisals rested with Human Resources along with the Cabinet Member for Corporate Management who was currently on long-term sickness absence and whose portfolio was being covered by the Leader of the Council. It was anticipated that the new model appraisal programme, based on competencies and linked to the Council's objectives, would be implemented for managers by April 2015. This new process had involved contribution from the Corporate Resources Overview & Scrutiny Committee whose report was available on the Council's website.

Mr. Williams said that more succinct committee reports were required so that key performance indicators could be monitored more effectively, and suggested that an assurance mapping process be introduced to show that this was being achieved. He referred to the preparation process for the Annual Governance Statement and suggested the inclusion of an Audit Committee member at Overview & Scrutiny workshops to give assurance on the level of challenge. In respect of appraisals, he suggested that the Leader of the Cabinet be made aware of the concerns to seek assurance that these would be addressed in the new process.

On the first point, the Chief Executive said that there was a complex system of reporting with room for improvement, however the way in which information was presented could influence the level of challenge. On the latter point, he explained that arrangements were already in place for the Corporate Resources Overview & Scrutiny Committee to consider a report on the outcomes from the first phase of managerial appraisals. In response to concerns raised by Mr. Williams on ensuring the relevant skills set on committees to interpret the information being presented, the Chief Executive referred to the full report on risks and progress with the Improvement Plan which had been well received at the previous meeting of the Corporate Resources Overview & Scrutiny Committee. The Democracy & Governance Manager gave a reminder of the intention to review the Member Development programme with assistance from the Welsh Local Government Association.

RESOLVED:

That the Annual Improvement Report be accepted and the Council's response endorsed as a comprehensive response of assurance.

62. INTERNAL AUDIT STRATEGIC PLAN

The Internal Audit Manager presented the proposed Internal Audit plan for the three year period 2015/16 to 2017/18 and highlighted the key considerations for the Committee. The Plan would inform the annual opinion on the adequacy of

the Council's arrangements on risk management, control and corporate governance. Whilst highlighting the types of audits covered and departmental resources, it was pointed out that the Plan retained a degree of flexibility to respond to changes within the organisation during the period and that some 'green' rated low risk audits may be deferred to allow concentration on the higher risk areas in-year.

In response to a question from Mr. Paul Williams, the Internal Audit Manager indicated that he was satisfied with the level of resources in his section.

Councillor Glyn Banks referred to the personnel implications in the report. The Internal Audit Manager explained that the Audit Plan was based on current departmental resources. The Chief Executive confirmed that the current level of resources would be maintained without further review at the present time, however any proposed changes would involve consultation with the Committee due to the impact on the Audit Plan.

RESOLVED:

That the report be approved.

63. WALES AUDIT OFFICE (WAO) AUDIT PLAN 2015

The Corporate Finance Manager introduced the Wales Audit Office (WAO) Audit Plan for 2015 in respect of proposed audit work on the Council's accounts for 2014/15 and those of the Clwyd Pension Fund. He highlighted the legal requirements of the financial audit work leading to submission of the draft financial statements to the Committee in July 2015 prior to consideration of the final accounts before the deadline of 30 September 2015. The report also detailed the legal requirements in respect of performance audit work to be carried out by WAO.

Mr. John Herniman of WAO highlighted some of the financial audit risks and a risk area on the audit of the North Wales Residual Waste Joint Committee (NWRWJC), which would be addressed as part of the audit work. He also referred to audit arrangements in respect of the Connah's Quay Harbour Authority and the legal requirement to undertake improvement assessment work involving the areas of Council funding in the third sector, income generation and charging and Community Safety Partnership. Attention was also drawn to the timetable and audit fee information included in the report.

Councillor Ian Roberts asked how information could be accessed on grant recipients of the Welsh Church Fund, which had previously been made available. The Policy & Performance Manager replied that delegated powers had been granted to the Chief Executive through Cabinet. In response to the question, the Chief Executive agreed that the information would be published on the Council's website. Councillor Roberts requested that this include eligibility criteria for the funding and how to apply.

On the NWRWJC, Councillor Alison Halford raised concerns about the cancellation of a recent meeting of the Planning & Development Control Committee in respect of this matter. Mr. Herniman stated that the audit work

would focus on the accounts of the Joint Committee and that the risk area had been highlighted due to the procurement process nearing completion which would impact on disclosures within the accounts.

The Chief Executive explained the role of WAO in auditing the accounts of the Joint Committee and that the project was regulated directly by the Welsh Government with stringent governance arrangements in place. As Flintshire was the lead council, the Chief Executive explained his involvement on the project together with that of the Internal Audit Manager and Corporate Finance Manager. He explained that the deferment of the Planning Committee meeting had been necessary to address an issue raised by a statutory consultee. The Democracy & Governance Manager added that notification of the initial meeting had clearly stated the date as provisional.

RESOLVED:

That the report be noted.

64. AUDIT COMMITTEE SELF ASSESSMENT AGAINST CIPFA GUIDANCE

The Internal Audit Manager introduced the results from the Committee's self-assessment to feed into preparation for the Annual Governance Statement 2014/15. He thanked the Committee members for completing the questionnaires, the results of which were summarised in the appendix to the report along with the averages and range of scores given. Members were reminded that the exercise also helped to inform any future training requirements and were encouraged to pass any suggestions to the Internal Audit Manager.

In comparison with the 2014 results, scores had mainly improved with the exception of risk management where there had been a slight decrease. The Internal Audit Manager referred to the lowest score achieved for the value for money question, and highlighted the additional audit work being undertaken and reference to value for money in the Annual Audit Letter by Wales Audit Office.

Councillor Haydn Bateman queried reference in the report to partnership working arrangements with other Audit Committees. The Internal Audit Manager explained that this applied to councils with joint governance arrangements, which was not the case in Flintshire.

Following his earlier comments, Mr. Paul Williams reiterated the need to understand key performance indicator outcomes in certain areas through the introduction of an assurance mapping system.

The Internal Audit Manager explained the background to this issue which had been raised at a governance seminar to which he and Mr. Williams had attended. He went on to say that the system would show where assurance was being supplied for each risk in the Improvement Plan and gave a commitment that this would be progressed in 2015.

RESOLVED:

That the report be noted.

65. 2014/15 TREASURY MANAGEMENT UPDATE

The Finance Manager - Technical Accountancy introduced the quarterly update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2014/15 to the end of February 2015. She reported no new borrowing during the period and drew attention to the economic update from the Council's treasury management advisors in respect of projected changes on bank interest rates and gilt yields. An update was also provided on the bail-in regime and its impact on the number of counterparties with whom the Council could invest.

An update on investments reported that the balance at the end of February 2015 had been £48.8m spread across 20 counterparties with an average interest rate of 0.54%. There was no significant change from the previous quarter where the investment balance of £52.4m had been spread across 19 counterparties with an average interest rate of 0.55%.

Following a request from Councillor Haydn Bateman, it was agreed that investment balance details for the previous quarter would be indicated in future reports for comparison purposes.

RESOLVED:

That the report be accepted.

66. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Internal Audit Manager presented the results of the annual internal assessment of conformance with the Public Sector Internal Audit Standards (PSIAS). The checklist and summary of results appended to the report indicated that the Internal Audit section had achieved general conformance with the PSIAS. The report also included an update on progress against actions identified in the first assessment presented to the Committee in 2014, together with actions taken and planned in compliance with the Quality Assurance and Improvement Programme. On the latter, there was a need for an external assessment to be carried out at least once every five years.

The Internal Audit Manager provided information on the three minor areas where it was felt that partial conformance had been achieved and explained that these would be addressed during 2015 through the update of the audit manual and assurance mapping.

Mr. Paul Williams thanked the Internal Audit Manager and his team for their hard work which had resulted in an excellent outcome.

RESOLVED:

That the report be noted.

67. ACTION TRACKING

The Internal Audit Manager presented an update report on actions carried out to date from points raised at previous meeting of the Committee. All actions due for completion had been finalised.

The Internal Audit Manager confirmed that he had sent an email to the Committee earlier in the week with the information requested at the previous meeting on the disciplinary process within Streetscene. He added his intention to submit a report to the Committee's meeting in June 2015 pending the completion of the disciplinary process.

RESOLVED:

That the report be accepted.

68. FORWARD WORK PROGRAMME

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

Following earlier discussion, the Chairman requested that the report by the Head of IT on departmental mobile phone usage be prepared for the meeting in June 2015 if possible.

Councillor Alison Halford referred to the provision of iPads for all Council Members and spoke of the difficulty in viewing full pages of agendas without resorting to scrolling. She pointed out that the officers present at this point in the meeting were in possession of hard copy agendas and requested that the same be provided to members of the Committee for future meetings, adding that this was not unreasonable due to the size of the membership.

The Democracy & Governance Manager stated that the Democratic Services Committee was a more appropriate forum for this topic and explained that the provision of iPads had resulted in significant savings in the printing and postage of hard copy agendas and that further training could be provided.

Whilst Councillor Ian Roberts appreciated the reduction in paperwork, he agreed that scrolling through lengthy agendas was an issue and that he had requested hard copy agendas specifically for charring meetings. He also referred to the potential difficulty for Council Members in rural areas to access information on their iPad due to limited broadband.

The Chairman drew attention to the availability of useful tools on the iPad to improve reading visibility, adding that it would be helpful for report writers to keep documents in portrait orientation wherever possible.

Councillor Glyn Banks commented on the timing of introducing iPads to Members and felt that the withdrawal of hard copy agendas appeared premature.

The Democracy & Governance Manager pointed out the availability of a small number of hard copy agendas in Members' group rooms, and advised that

a report relating to this subject was due to be considered at a future meeting of the Democratic Services Committee.

RESOLVED:

That the Forward Work Programme be accepted with the inclusion of the item on mobile phones at the next meeting in June 2015.

69. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were no members of the press or public in attendance.

(The meeting started at 10.00 am and ended at 12.00 pm)

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Chairman

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 3 JUNE 2015**
REPORT BY: **CHIEF OFFICER (GOVERNANCE)**
SUBJECT: **AUDIT REPORT ON MOBILE 'PHONES**

1.00 **PURPOSE OF REPORT**

1.01 To provide information relating to the use and cost of mobile phones by officers and elected members of the Council.

2.00 **BACKGROUND**

2.01 Flintshire County Council currently uses Vodafone corporate to provide its mobile phone contracts and associated mobile services.

This contract is let and managed by the IT Division within the Governance portfolio. The current contract was entered into in October 2013.

Information provided in the report has been taken from last financial year 2014/15.

Costs and usage associated with data sims cards used in traffic lights, ipads, laptops, etc. have been excluded with the exception of the recently procured devices to support the housing repairs mobile working project (as these are also used as mobile phones).

3.00 **CONSIDERATIONS**

3.01 A recent audit of mobile phone contracts used by the council showed that there were 2257 active contracts. A recent review of mobile phones has been undertaken where service managers have been challenged on the requirement for every mobile phone. This has resulted in a reduction of 513 mobile phone contracts. This reduction will deliver, as a minimum, a saving of £12,288 per annum (the actual predicted saving will be given as a verbal update to the Audit Committee meeting on June 3rd)

A breakdown of mobile phones by portfolio is shown in the table below:-

| Portfolio | Total staff | Total Mobile Contracts | Annual Total | Average Cost Per Contract |
|--|-------------|----------------------------------|--------------|---------------------------|
| Chief Executives | 58 | 35 (includes 13 Elected Members) | £7,146 | £204 |
| Community and Enterprise | 416 | 392 | £42,280 | £108 |
| Education and Youth | 329 | 177 | £18,969 | £107 |
| Governance | 126 | 34 | £3,002 | £88 |
| Organisational Change 1 (Community) | 451 | 59 | £5792 | £98 |
| Organisational Change 2 (Alternative Service Models) | 207 | 117 | £3,993 | £34 |
| People and Resources | 172 | 34 | £2,029 | £60 |
| Planning and Environment | 168 | 134 | £12,228 | £91 |
| Social Services | 1017 | 805 | £78,763 | £98 |
| Streetscene and Transportation | 537 | 231 | £16,907 | £73 |
| Total | 3475 | 1985 | £191,109 | £96 |

The number of mobile phone contracts detailed above is correct as at 31st March 2015.

The above cost includes line rental and usage costs.

There has been an increase in the number of mobile phones due to the rollout of a mobile working project for housing repairs and teams adopting agile working. These are included in the figures above.

3.02 Allocation of Mobile Phones

Mobile phone contracts are requested by service managers and approved by Chief Officers in accordance with the mobile phone policy. This policy provides criteria by which mobile phones will be provided. To receive a mobile phone one of the following criteria must be satisfied:-

- the requirement to be contactable for operational reasons whilst away from the office
- have contractual “on call” arrangements
- have been designated as needing a mobile phone to maintain personal safety.

3.03 Costs

The current cost of a standard mobile phone contract is £2.00 per month and this includes the provision of a standard phone. Costs for Blackberry are £12.00 per calendar month and includes the provision of a Blackberry phone and data usage. All calls are charged on a per

call basis at a rate of between 2p and 4.5p per minute depending on the type of number called.

Each contract has a duration of 24 months.

3.04 High Usage

An analysis of annual usage for the Financial year 2014/15 has been completed and the usage analysis is detailed in the table below:-

| Usage Costs (per annum) | £100 - £200 | £201 – 300 | £301 - £400 | £401 + |
|-------------------------|-------------|------------|-------------|-----------|
| Number of Mobiles | 104 | 18 | 4 | 8 |
| Total Annual Cost | £11,429.19 | £4,351.74 | £1,365.91 | £4,779.03 |

The mobile phone contracts that have high usage are currently being discussed with the portfolio representatives so there can be further scrutiny of usage.

Consideration could be given to the use of contracts with inclusive minutes, however our current contract does not include any plans with inclusive minutes. Sometime ago the council did have bundled minute contracts but analysis indicated that "pay as you go" type contracts were a more cost effective approach when considering the call costs across the whole council.

3.05 Low Usage

During the recent mobile phones audit a number of contracts were identified as being active and no calls had been made. There are a number of reasons for this including contracts for providing data only sims (used for various purposes), sim cards only used for fault notification, where the officer needs to be contactable away from their work base, provided to maintain personal safety and where the phone is no longer required. The last reason is the one of most concern and has been addressed through the completion of the thorough review and improvements in the processes introduced to identify contracts that are no longer required.

3.06 Monitoring Use

Designated officers within the portfolios are provided with a spreadsheet on a monthly basis that indicates the cost of each mobile contract within their portfolio. This indicates the line rental and usage costs incurred by that mobile. This allows the representatives to identify and highlight to service managers mobile phones that have excessive use. Detailed call by call itemised bills can be requested from the Governance Administration team.

3.07 Mobiles No Longer Required

When a mobile phone is no longer required the service manager should inform the portfolio mobile phone representative who will then arrange for its collection and return to the Governance Administration team. If the mobile phone is out of contract then the contract is terminated otherwise it is reused elsewhere in the Council.

It has been identified that occasionally the notification step has not been undertaken. In order to cater for this a procedure has been put in place where a list is produced from the payroll system detailing staff who are leaving the authority, this is sent through to each of the mobile phone representatives for checking/action.

3.08 Process Improvements

The outcomes of the recent mobile phones audit and subsequent attention following the report has led to a number of improvements in the processes and procedures. The large number of the recommendations contained in the audit report have been implemented and there are plans in place to address those still outstanding.

Regular monitoring is undertaken in all portfolios. The distribution of monthly portfolio based costs per contract allows the portfolio representatives to challenge usage and identify contracts that may not be required. In addition, quarterly review meetings are held with all portfolio representatives to review and ensure adherence to procedures and processes.

3.09 Next Steps

Following the recent review of mobile phone requirements the council is preparing to go back out to the market using a central government procurement framework to negotiate a new contract with improved rates. Usage figures will be used to assist with this and consideration will be given to the use of inclusive tariffs during this exercise. Estimated timescales for completion of this exercise is end July 2015.

4.00 RECOMMENDATIONS

The committee is requested to consider the report.

5.00 FINANCIAL IMPLICATIONS

None directly as a result of this report.

6.00 ANTI POVERTY IMPACT

None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

None directly as a result of this report.

8.00 EQUALITIES IMPACT

None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

None directly as a result of this report.

10.00 CONSULTATION REQUIRED

None required

11.00 CONSULTATION UNDERTAKEN

None required

12.00 APPENDICES

None

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

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 3 JUNE 2015**

REPORT BY: **INTERNAL AUDIT MANAGER**

SUBJECT: **WALES AUDIT OFFICE REVIEW OF THE COUNCILS
WHISTLEBLOWING ARRANGEMENTS**

1.00 PURPOSE OF REPORT

1.01 To report to committee the results of the Wales Audit Office review of the Councils whistleblowing arrangements.

2.00 BACKGROUND

2.01 The Councils whistleblowing policy was reviewed and updated during 2014. It was approved by the Audit Committee in May 2014, presented to the Constitution Committee in July 2014 and became part of the Council Constitution shortly afterwards.

2.02 Wales Audit Office have conducted an Improvement Study across Wales to review whistleblowing arrangements. They have now issued a report on their review in Flintshire.

3.00 CONSIDERATIONS

3.01 The review concludes that 'The Council has a satisfactory whistleblowing policy which it applies appropriately. The Council's whistleblowing policy demonstrates a clear commitment to handling whistleblowing concerns appropriately but with opportunities to make the policy more user-friendly in a few areas. The Council maintains its records securely and follows its policies and procedures appropriately when investigating whistleblowing concerns.

3.02 The report made no Proposals for Improvement, but does include suggestions for the Council to consider when it next refreshes the Policy.

4.00 RECOMMENDATIONS

4.01 The committee is requested to note the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None arising from this report

6.00 ANTI POVERTY IMPACT

6.01 None arising from this report

7.00 ENVIRONMENTAL IMPACT

7.01 None arising from this report

8.00 EQUALITIES IMPACT

8.01 None arising from this report

9.00 PERSONNEL IMPLICATIONS

9.01 None arising from this report

10.00 CONSULTATION REQUIRED

10.01 None arising from this report

11.00 CONSULTATION UNDERTAKEN

11.01 None arising from this report

12.00 APPENDICES

WAO Report – Review of Whistleblowing Arrangements

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

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



Review of Whistleblowing Arrangements

Flintshire County Council

Audit year: 2013-14

Issued: March 2015

Document reference: 475A2014

Status of report

This document has been prepared for the internal use of Flintshire County Council as part of work performed in accordance with the statutory functions.

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The work was delivered by Dave Wilson, Paul Goodlad and Huw Lloyd Jones under the direction of Jane Holownia.

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Summary report

Introduction

1. During 2014 the Wales Audit Office reviewed the whistleblowing arrangement in place at Flintshire County Council (the Council) and in other councils in Wales to answer the question, '**Does the Council have a whistleblowing policy and are arrangements in place to effectively address concerns raised under the policy?**'
2. To answer this main question we considered whether the Council:
 - has an up-to-date policy setting out its approach to whistleblowing;
 - demonstrates clear commitment to addressing whistleblowing concerns;
 - ensures that staff are aware of the policy, have access to it and understand the content;
 - ensures that managers and councillors understand their roles in responding to and investigating whistleblowing concerns; and
 - follows its policies and procedures when investigating whistleblowing concerns.
3. We found that the Council has a satisfactory whistleblowing policy which it applies appropriately. We reached this conclusion because:
 - the Council's whistleblowing policy demonstrates a clear commitment to handling whistleblowing concerns appropriately but with opportunities to make the policy more user-friendly in a few areas; and
 - the Council maintains its records securely and follows its policies and procedures appropriately when investigating whistleblowing concerns.

Proposals for improvement

4. Our review confirms that the Council's whistleblowing policy (the Policy) and the arrangements in place to effectively address concerns raised under the policy are satisfactory, but also identifies a few opportunities to strengthen aspects of the Policy. We make no Proposals for Improvement arising from this review. However, our report includes suggestions which the Council may wish to consider when it next refreshes the Policy, in order to make it more user-friendly and to bring it in line with current best practice.

Detailed report

The Council has a satisfactory whistleblowing policy which it applies appropriately

The Council's whistleblowing policy demonstrates a clear commitment to handling whistleblowing concerns appropriately but with opportunities to make the policy more user-friendly in a few areas

5. The Council reviewed its whistleblowing policy (the Policy) in October 2010 and more recently during April 2014; the latest revision was adopted by the Council during summer 2014.. The Policy sets out the Council's commitment to whistleblowing and explains the responsibilities of those who may become involved.
6. The Policy covers key areas such as the circumstances in which the Policy might be appropriate and explains how concerns can be raised outside of normal line management arrangements. The Policy allows staff to raise concerns anonymously, requires the result of any whistleblowing investigations to be reported to the Audit Committee and requires the Council to provide whistle-blowers with feedback on the results of any investigation. This demonstrates an open and transparent culture around the whistleblowing process.
7. The Policy is generally clear, but there is scope to make it easier for staff to follow the sequence of events involved when raising a concern. Recent guidance from the National Audit Office¹ (NAO) suggests that 'best practice would provide a logical flow, guiding the reader through the process in language that is easy to follow, eg, by using flowcharts and diagrams. It would also cover all aspects of making a disclosure and include examples which deal with practicalities and likely concerns'.
8. Members of staff are able to report concerns anonymously, but – in line with good practice – are encouraged to put their names to any allegations they make. The Policy also explains that members of staff who raise concerns can do so in confidence, within certain limitations.
9. The Council's severance arrangements include a confidentiality clause. The Council is confident that this clause would not deter someone from raising a concern after leaving the Council. However, it may be prudent to add a statement to the Policy that might reassure potential whistleblowers that such confidentiality clauses are not intended to prevent or discourage whistleblowing disclosures.
10. The Policy applies to all workers (employees, agency workers, people that are training with, but are not employed by, the Council, and self-employed workers) within the Council with the exception of teachers and those employed by School Governing Bodies.

¹ *Assessment criteria for whistleblowing policies*, National Audit Office, January 2014.

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11. The Council commends its Policy to its schools as good practice. However, the Council does not know how many of its schools actually have whistleblowing policies in place, or whether the policies used by its schools are fit for purpose. The absence of such information reduces the Council's ability to support and challenge schools' Governing Bodies with regard to schools' policy frameworks.
 12. Council staff can access the Policy via the Infonet, the Council's intranet system. Members of staff without access to the Infonet can ask their line manager (or a colleague) to arrange access or provide a hard copy. However, only new members of staff automatically receive whistleblowing-related training. The Council's induction checklist requires managers to discuss the code of conduct with new starters.
 13. The Council does not actively publicise the Policy and did not brief staff when the Policy was originally launched. Instead, Heads of Service tend to rely on the Infonet as a mechanism for raising awareness - particularly for staff in post before the relevant induction training was introduced. The updated Policy has been launched on the Council's Infonet, and a briefing sent to Councillors (as named contacts in the Policy) and to chief officers. The Policy also notes that 'Training will be provided to ensure that those with management responsibility for employees are clear about the Policy and the procedures contained within it.'
 14. Although there is evidence that some line managers periodically discuss the whistleblowing policy with their staff, this approach is ad hoc rather than systematic. The Council should consider encouraging line managers to remind staff about the Policy periodically. This could be done as part of a wider awareness-raising session, together with related topics such as the Council's policy on equality and diversity, for example.
 15. The Policy provides a list of contacts within and outside the Council where staff can seek advice reflecting NAO guidance that an excellent whistleblowing policy 'should identify the procedure for external reporting as well as outline potential bodies that employees can raise concerns with'. Clarity about the procedures involved in external reporting helps potential whistle-blowers to make more informed decisions about the choices facing them. However, NAO guidance also notes that a fully-effective whistleblowing policy would highlight the legal protection available to employees making an external disclosure under the Public Interest Disclosure Act. Although the revised Policy includes a section on legal protection, it does not explicitly refer to the protection available to employees who make an external disclosure. The Council should consider making this issue more explicit the next time the Policy is reviewed and refreshed.
 16. The Policy identifies officers with ultimate responsibility for whistleblowing arrangements within the Council. The Internal Audit Manager has day-to-day responsibility for whistleblowing and the Chief Officer, People and Resources has operational responsibility for whistleblowing procedures at the Council.

The Council maintains its records securely and follows its policies and procedures appropriately when investigating whistleblowing concerns

17. Whistleblowing investigations at the Council are carried out by senior internal auditors. Whilst these investigators have not received specific training on whistleblowing, the Policy was originally produced and subsequently revised by members of the Internal Audit team, so they have a well-developed understanding of the issues. In addition, members of the internal audit team have received extensive training on investigating allegations.
18. The Council investigated two concerns raised through whistleblowing during 2013-14. Both instances were reported anonymously and resulted in disciplinary action. In investigating these concerns, the Council has followed appropriately the procedures set out in the guidance in place at the time.
19. Records relating to the investigations are stored securely, with access limited to an appropriately limited range of Internal Audit staff. The Council's Audit Committee receives an annual report summarising the results of any whistleblowing investigations, as well as quarterly update reports.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 3 JUNE 2015**
REPORT BY: **CHIEF EXECUTIVE**
SUBJECT: **RISK MANAGEMENT UPDATE**

1.00 PURPOSE OF REPORT

- 1.01 Members to endorse the improved risk management approach as part of streamlining and integrating the business planning arrangements.
- 1.02 To provide an overview of the key risks of the Improvement priorities of the Council at year end.

2.00 BACKGROUND

- 2.01 Audit Committee received a report in January 2014 which outlined the changes in risk management approaches following the adoption of the Council's Improvement Plan.
- 2.02 The Council adopted the Improvement Plan for 2014/15 on 17 June 2014. The adoption of the plan and its priorities provided the Council with the opportunity to realign the strategic risks to these priorities and sub priorities.

3.00 CONSIDERATIONS

3.01 Risk Management approach

Feedback from the 2014 annual Internal Audit assessment on risk management concluded that for strategic risks implementation of the new approach is consistent and well adhered to. Further improvement in embedding the approach was recognised as needed for operational risks, project and partnership risks.

- 3.02 In addition the more recent Corporate Assessment undertaken by the Wales Audit Office and reported in the Annual Improvement Report (January 2015) identified that the approach to risk management could be improved. One of the seven proposals for improvement concentrated on risk management as follows:

"The Council should:

- *Adopt a consistent approach to managing risk, ensuring that all staff involved use a similar approach to record impact, likelihood and mitigating actions; and*

- *Apply this approach to its future savings plans.”*

The Council’s response to this has been as follows:

“Following an earlier internal review of risk management led by Internal Audit a number of actions are in train for the organisation to be more consistent and effective in the identification and reporting of risk at strategic, operational, project and partnership levels. P1 (business planning) and P3 (strategies) will contribute.”

3.03 This overarching response covers a number of specific actions which the Council is introducing to improve and mature our approach:

- Enhanced descriptions of risk including an explanation of the impact if the ‘risk’ was to be realised and become an ‘issue’ to be dealt with
- More sophisticated risk matrix, moving from a 3 x 3 matrix to one of 6 x 4 for likelihood and impact; allowing more options to show how the risk is being reduced or increasing
- Improved format to capture both new and emerging risks and also allow for a risk to be ‘closed’ once it has been mitigated or realised as an issue being dealt with
- Incorporating ‘risk’ more prominently within Council reports.

Appendix 1 provides an example of the new approach.

The adoption of this new approach is starting to be implemented for the Improvement Plan monitoring for 2015/16 and across 9 new Programme Boards.

These Programme Boards are configured around the portfolios; 5 being Service portfolio programmes (Education, Social Services, Streetscene and Transportation, Housing, and Planning and Environment) alongside 4 Corporate portfolio programmes (Assets, Customer, Corporate Services and Procurement). Some Programme Boards have evolved from former arrangements e.g. Education and Social Services; others are completely new e.g. Streetscene and Transportation. A consistent methodology across all Programmes ensures that the main objectives of the Boards; the management of business plans, efficiency targets and all significant budget projects are met. The purpose of the Programme Boards are as follows:

- Business Plan implementation
- Risk management
- Problem solving
- Decision-making or escalation
- Communications and engagement
- Resourcing
- Efficiency achievement
- Progress reporting

- Connecting with other plans
- Business Plan development

3.04 In addition the Council has just started to implement a new electronic performance management system which integrates and provides accountability across actions, objectives, measures and risks across strategic objectives (such as the Improvement Plan), operational (team and individual) objectives, programmes and projects and collaboration or partnership objectives (such as the Single Integrated Plan). The system is called CAMMS and will assist with efficiency in monitoring and reporting, version control and transparency of information.

The system is being introduced on a phased basis; the first phase concentrating on the Improvement Plan and reporting for the first quarter (April to June) which will demonstrate how the system will operate corporately; alongside additional service and project objectives to report on regulatory requirements such as in Social Services or to provide consistent and overall reporting across the new Programme Boards.

A future report to the Audit Committee will contain an extract report from the system identifying the overall Council risks by exception (i.e. those to be concerned about), as well as the overall risk analysis for the Improvement Plan (as referred to in the second part of this report – para 3.05).

3.05 Improvement Plan strategic risks

Overview and Scrutiny committees have received quarterly progress reports against the Improvement Plan for 2014/15. These have included a template for each risk capturing:

- the nature of each risk
- the gross, net and target RAG status for each risk
- current actions already in place to mitigate the risk
- further activity to mitigate the risk
- risk trend (via arrows)

In addition, following Members' requests a target date was added to the target RAG risk status; this was incorporated within quarterly monitoring reports during 2014/15.

3.06 A summary of all of the risks captured in the Improvement Plan is attached at Appendix 2. An analysis of the current 'net' status of the 79 risks associated with our eight Improvement priorities shows the positive shift from the first assessment undertaken in June 2014 to the end of year position:

| Net risk status | Q1 (Jun '14) | Q4 (Mar '15) |
|------------------------|---------------------|---------------------|
| Red | 7 (8.8%) | 1 (1.3%) |
| Amber | 42 (53.3%) | 40 (50.6%) |
| Green | 30 (37.9%) | 38 (48.1%) |

In addition the following table provides an analysis of how our risk trends have changed from the last reporting period in December to the end of year position in March.

| Trend positions | Q3 (Dec '14) to Q4 (Mar '15) |
|------------------------|-------------------------------------|
| Increase | 7 (8.9%) |
| Decrease | 30 (38%) |
| Stable | 42 (53.2%) |

3.07 Details of all risks are provided in the end of year Improvement Plan monitoring reports presented to the Overview and Scrutiny Committees.

4.00 RECOMMENDATIONS

4.01 Audit Committee endorse the improved risk management approach as part of streamlining and integrating the business planning arrangements and are assured that the proposed improvements for risk management are robust.

4.02 Audit Committee note the end of year summary of strategic risks related to the Improvement priorities of the Council.

5.00 FINANCIAL IMPLICATIONS

5.01 None directly arising from this report; although some specific risks may have financial implications.

6.00 ANTI POVERTY IMPACT

6.01 None directly arising from this report; although some specific risks may have poverty implications.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly arising from this report; although some specific risks may have environmental implications.

8.00 EQUALITIES IMPACT

8.01 None directly arising from this report; although some specific risks may have equalities implications.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly arising from this report; although some specific risks may have personnel implications.

10.00 CONSULTATION REQUIRED

10.01 Overview and Scrutiny Committees will be considering the risks and their mitigations as part of the quarterly and end of year monitoring of the Improvement Plan.

11.00 CONSULTATION UNDERTAKEN

11.01 Improvement Priority leads and Chief Officer Team have considered the risks in relation to the Improvement Plan.

12.00 APPENDICES

12.01 **Appendix 1:** Example of improved risk management approach
Appendix 2: Summary of Improvement Plan risks 2014/15

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985

BACKGROUND DOCUMENTS:

- i) Improvement Plan 2014/15
- ii) Monitoring reports of Improvement Plan as presented to Overview and Scrutiny Committees - June/July 2015

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EXAMPLE OF PROPOSED REVISED FORMAT

Note: Risk RAG status identified as examples only

| Risk Area | Risk Trigger | Potential Effect | Lead Officer | Management Controls in Place | Current Risk Level L=Likelihood I=Impact | Risk Summary Progress Update | Additional Management Action Required | Target Completion Date (MM/YY) | Risk Status (i.e. open, closed) |
|--|--|--|-----------------|---|--|--|--|--------------------------------|---|
| WG Settlement 2015/16 (80% of Council funding) | Uncertainty in the level of WG funding | Possible funding gap £12m - £18m (2015/16) Inability to set a balanced budget Inability to protect front line services | Chief Executive | Continued lobbying of WG for earlier and timelier indications of indicative settlements for 2015/16. Business planning approach adopted based on potential 30% reduction in funding over next 3 years. | | Column to be used to state what has led to the current assessment of the current level of risk, what has changed since the last reporting period e.g. completion of mitigating actions and impact of this e.g. reduction in the level of risk. | Influencing WG on the allocation of the 'Chancellor's Consequentials' to supplement LG settlement for 2015/16. | 12/14 | Closed Budget gap confirmed as 3.4% = £16.4m |
| | Non-acceptance of budget proposals by Members | Inability to set a balanced budget Inability to protect front line services | Chief Executive | Leader and Portfolio Member engagement Scrutiny committee programme (Jan '15) Member drop in sessions 1:1 officer / member engagement | | | None at present | N/A | Open |
| | Ineffective public engagement and consultation | Backlash from public / service users / partners / workforce More unpalatable solutions to be introduced | Chief Executive | Consultation and engagement programme including public website, T&CC meetings and specific service user, partner consultation and workforce engagement Impact on key stakeholders evaluated (EIA) | | | Completion of public information and engagement work in support of the budget process | 02/15 | Open |

| Risk Area | Risk Trigger | Potential Effect | Lead Officer | Management Controls in Place | Current Risk Level L=Likelihood I=Impact | Risk Summary Progress Update | Additional Management Action Required | Target Completion Date (MM/YY) | Risk Status (i.e. open, closed) |
|--|---|--|-----------------|--|--|--|---|--------------------------------|---------------------------------|
| WG Settlement 2016/17 (80% of Council funding) | Delivery / implementation of budget proposals | Timeliness of delivery of proposals against forecast efficiency savings leading to additional in-year gap | Chief Executive | Business plans and specific actions in place to deliver proposals | <p>L</p> | Column to be used to state what has led to the current assessment of the current level of risk, what has changed since the last reporting period e.g. completion of mitigating actions and impact of this e.g. reduction in the level of risk. | Further development of alternative delivery models for implementation in 16/17 | 09/15 | Open |
| | Uncertainty in the level of WG funding | Possible funding gap Inability to set a balanced budget Inability to protect front line services | Chief Executive | Building on existing business plans including delivery of alternative delivery models. | <p>L</p> | | Further lobbying with WG to enable more effective and longer-term financial planning. | 10/15 | Open |

| IMPROVEMENT PLAN 2014/15 RISKS SUMMARY - APRIL 2015 | | | | | | | | | | | |
|--|---|--|------------------|---|-------------|---|------------------|---|--------------|---------|---|
| Priority | Sub Priority | Risks (summarised) | Year end 2013/14 | | Q1 Jun 2014 | | Year end 2014/15 | | Target Score | | |
| Housing | Extra Care Housing | Switching revenue resources from more traditional to new housing and care service models | A | ↔ | A | ↓ | G | ↓ | G | Apr '15 | * |
| | | Demand and aspirations for alternative housing models for independent living | | | A | ↓ | G | ↓ | G | Apr '15 | * |
| | | Specialist demand e.g.dementia and physical and learning disabilities | A | ↔ | R | ↓ | A | ↓ | G | Oct '15 | * |
| | Modern, Efficient and Adapted Homes | Maximising joint resources with partners | G | ↔ | G | ↓ | G | ↔ | G | Dec '14 | |
| | | Availability of private finance | G | ↓ | A | ↓ | A | ↔ | G | May '15 | |
| | | Developers building affordable housing | A | ↓ | A | ↓ | A | ↔ | G | May '15 | |
| | | Unclear about change implications proposed through planning bill. | | | G | ↓ | G | ↔ | G | TBC | |
| | Achieve the Welsh Housing Quality Standard | Ensuring Contractors perform effectively & costs contained within budget | G | ↔ | G | ↔ | G | ↔ | G | Mar '15 | * |
| | | Agree approach to dismantle HRA subsidy system. | | | A | ↔ | G | ↔ | G | Apr '15 | * |
| | | Identification of plans and resources to meet the WHQS by 2020 | G | ↔ | G | ↔ | G | ↔ | G | Mar '15 | * |
| Living Well | Independent Living | Ensuring we have enough capital funding for disabled facilities grants | A | ↔ | A | ↔ | G | ↓ | G | Jun '14 | |
| | | Keeping up with specialist demand e.g.dementia | A | ↑ | A | ↔ | A | ↔ | A | Apr '14 | |
| | | How we encourage greater independence | G | ↓ | A | ↓ | A | ↑ | A | Jun '14 | |
| | | Service user / family resistance to new technologies eg telecare | | | A | ↔ | G | ↓ | G | Jun '14 | |
| | | Managing demand and expectations with limited resources | | | A | ↔ | A | ↓ | G | 2017 | |
| | Integrated Community Social and Health Services | Ensuring effective joint working with BCUHB | A | ↔ | A | ↔ | A | ↑ | G | 2016 | * |
| | | Ensuring new model doesn't result in increased costs | A | ↓ | A | ↔ | A | ↔ | A | Jun '15 | * |
| | | Spending Intermediate Care Fund on sustainable services after funding ends. | | | G | ↔ | G | ↔ | G | Mar '15 | * |
| Economy and Enterprise | Business Sector Growth in Deeside | Ensure the DEZ can be continued with pace. | | | A | ↓ | A | ↓ | G | Mar '15 | * |
| | | Ensure the DEZ has proportionate financial support from WG. | | | A | ↓ | A | ↑ | G | 2016 | * |
| | | Work with local employers and learning providers to meet skills based needs | A | ↔ | A | ↓ | A | ↓ | G | Apr '16 | * |
| | Town and Rural Regeneration | Maximising funding opportunities through external programmes | R | ↑ | R | ↔ | A | ↔ | G | Jun '15 | * |
| | | Ensuring sufficient project management capacity to successfully complete programmes | A | ↑ | R | ↔ | A | ↔ | A | Jun '15 | * |
| | Social Enterprise | How we maintain capacity and investment to support development of social enterprises | G | ↔ | G | ↓ | A | ↔ | G | Aug '15 | * |
| | | Building skills in the community for development of social enterprises | A | ↔ | A | ↓ | A | ↔ | G | Aug '15 | * |
| Local Social enterprises need to compete effectively | | A | ↓ | A | ↔ | A | ↑ | G | May '15 | * | |
| Skills and Learning | Modernised and High Performing Education | Ensure schools receive the support they need to provide school improvement services | A | ↑ | A | ↔ | G | ↓ | G | Jul '16 | * |
| | | Ensuring schools work together to share and develop best practice | A | ↔ | A | ↔ | A | ↔ | G | Jul '16 | * |

| IMPROVEMENT PLAN 2014/15 RISKS SUMMARY - APRIL 2015 | | | | | | | | | |
|---|---------------------------------------|---|------------------|---|-------------|---|------------------|---|--------------|
| Priority | Sub Priority | Risks (summarised) | Year end 2013/14 | | Q1 Jun 2014 | | Year end 2014/15 | | Target Score |
| | | Changing demographics and impact on supply of school places | | | A | ↔ | A | ↔ | A Sep '16 |
| | | Limited funding to address backlog of known repair and maintenance works | | | A | ↔ | A | ↔ | A Mar '16 |
| | | Programme delivery capacity for the 21st Century Schools Programme | | | A | ↔ | R | ↓ | A 2018 |
| | Apprenticeships and Training | Ensuring employer places match current and future aspirations and needs | G | ↔ | G | ↔ | G | ↔ | G Dec '14 |
| | | Ensuring capacity to support paid work placements and other programmes | G | ↔ | G | ↔ | G | ↔ | G Apr '14 |
| | | Strengthen links between schools, colleges and employers | G | ↔ | G | ↔ | G | ↔ | G Apr '14 |
| | | Ensuring education providers participate fully | G | ↔ | G | ↔ | G | ↔ | G Apr '14 |
| | | Work with local employers and learning providers to meet skills based needs | | | G | ↔ | G | ↔ | G Mar '15 |
| Safe Communities | Community Safety | How we can improve public's perception of safety in the community | A | ↑ | A | ↔ | A | ↔ | G Apr '15 |
| | | Ensuring new Community Safety Partnership arrangements work effectively | A | ↓ | A | ↔ | A | ↓ | G Apr '15 |
| | | How we can fund the provision of CCTV with local partners | A | ↔ | A | ↔ | A | ↓ | G 2015/16 |
| | Traffic and Road Management | Gaining public and local support for road safety schemes | A | ↑ | A | ↔ | G | ↓ | G Sep '14 |
| | | Being able to obtain timely decisions of statutory approval for schemes from WG. | | | A | ↔ | A | ↔ | A Jun '15 |
| Poverty | Welfare Reform | Meeting growing costs of homelessness prevention | A | ↔ | A | ↓ | A | ↓ | A Mar '16 |
| | | Advice and support services sufficient to meet demand | A | ↔ | A | ↓ | A | ↓ | A Mar '16 |
| | | Eviction levels rising if tenants are unable to pay their rent | | | A | ↓ | A | ↓ | A Jan '15 |
| | | Local economy may suffer as residents have less income to spend | A | ↔ | A | ↔ | A | ↔ | A Mar '16 |
| | | Resources to meet Universal Credit roll-out requirements | | | G | ↔ | G | ↔ | G Mar '16 |
| | Fuel Poverty | Residents may not take up the energy efficiency measures as we hope | G | ↔ | G | ↓ | A | ↔ | G Apr '15 |
| | | Available funding might fall short of public demand | G | ↔ | G | ↓ | A | ↔ | G Dec '14 |
| Environment | Transport Infrastructure and Services | Ensuring county's infrastructure is adequate to support economic growth | G | ↓ | G | ↔ | A | ↔ | A Sep '14 |
| | | Securing funding for highways infrastructure to remain safe and capable of supporting economic growth | G | ↓ | G | ↔ | A | ↔ | A Sep '14 |
| | | Ensuring sustainable transport options remain attractive to users | G | ↓ | G | ↓ | G | ↔ | G Jan '15 |
| | | Transition of TAIH to new model for regional transport | | | A | ↔ | A | ↔ | A Jan '15 |
| | | Reductions in WG grants for subsidising services. | | | G | ↔ | A | ↑ | A Jan '15 |
| | Carbon Control and Reduction | Ensuring recycling/energy efficiency programmes are supported | G | ↓ | G | ↓ | G | ↔ | G Jan '15 |
| | | Securing sufficient funding for renewable energy schemes | A | ↑ | A | ↑ | G | ↑ | A Sep '14 |
| | | Securing sufficient funding to maintain recycling service. | | | R | ↑ | A | ↔ | G 2018/19 |

IMPROVEMENT PLAN 2014/15 RISKS SUMMARY - APRIL 2015

| Priority | Sub Priority | Risks (summarised) | | | | | Target Score | | | |
|-------------------------------------|--------------------------------------|---|--------------------------------|---|-------------|------------------|--------------|---|--------------|---|
| | | | Year end 2013/14 | | Q1 Jun 2014 | Year end 2014/15 | | | | |
| | | Securing sufficient funding for further street lighting improvement programmes. | | | G | ↑ | G | ↔ | G Apr '15 | * |
| Modern and Efficient Council | Organisational Change | Gaining workforce/union agreement and acceptance of the transition to new operating model | A | ↔ | G | ↔ | G | ↔ | G Mar '15 | |
| | | Transitional risks of the operating model. | | | G | ↔ | G | ↔ | G Mar '15 | |
| | People Change and Development | Keep up workforce motivation and morale | A | ↔ | A | ↔ | A | ↔ | G Jun '15 | * |
| | | Ensuring organisational capability to make changes and sustain new operating model | A | ↔ | A | ↔ | A | ↔ | G Jun '15 | * |
| | | Control terms of employment post implementation to prevent new equal pay claims | | | A | ↔ | G | ↓ | G Apr '15 | * |
| | Procurement Strategy | Ensure internal adoption of revised procurement practice and process | G | ↔ | G | ↔ | A | ↔ | G Ongoing | * |
| | | Keep up pace of collaboration to maximise procurement efficiencies | G | ↓ | A | ↑ | G | ↓ | G Apr '15 | * |
| | | Applying community benefit clauses within contracts | A | ↓ | A | ↓ | G | ↓ | G Apr '15 | * |
| | Assets | Gaining public acceptance | G | ↓ | G | ↓ | G | ↔ | G Jun '14 | * |
| | | How we can invest and ensure we have capacity to implement the strategy | G | ↓ | G | ↓ | G | ↔ | G Apr '16 | * |
| | | Buildings used effectively to match our priorities | G | ↓ | G | ↓ | G | ↔ | G Apr '16 | * |
| | | Gain workforce agreement and acceptance of agile working practices | G | ↓ | G | ↓ | G | ↔ | G Jun '14 | * |
| | Access to Council Services | How we can ensure investment to further improve access to our services | G | ↔ | G | ↓ | G | ↓ | G Jan '15 | * |
| | | Adjust processes and practices to support Flintshire Connects and the increased use of self-service | A | ↔ | A | ↓ | G | ↓ | G Jan '15 | * |
| | | Ensuring a positive public response to the changing ways services can be accessed | G | ↔ | G | ↓ | G | ↓ | G Jan '15 | * |
| | | Ensuring our customers can access our digital services | G | ↔ | G | ↓ | G | ↓ | G Jan '15 | * |
| | Financial Strategy | Ensuring capital and revenue resources are sufficient to operate effectively. | | | R | ↑ | A | ↓ | R Jun '14 | * |
| | | Uncertainty of Welsh Government Funding (80% of the funding of council services). | | | R | ↑ | A | ↓ | R Jun '14 | * |
| | | Gaining Agreement to the financial strategy. | | | A | ↔ | A | ↓ | R Oct '14 | * |
| | | Delivery of the 2014/15 efficiency savings in full. | | | A | ↔ | A | ↔ | A Jun '14 | * |
| | | Gaining agreement to further efficiency measures from 2015/16 onwards. | | | A | ↔ | A | ↓ | R Oct '14 | * |
| | | Gaining agreement to a new corporate approach for fees and charges. | | | R | ↔ | A | ↓ | A Oct '14 | * |
| | Key | | Risk not identified in 2013/14 | | | | | | | |

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 3 JUNE 2015**

REPORT BY: **INTERNAL AUDIT MANAGER AND WALES AUDIT OFFICE**

SUBJECT: **PROTOCOL INTERNAL AND EXTERNAL AUDIT**

1.00 PURPOSE OF REPORT

1.01 To present to Members the updated Protocol between Internal Audit and the Auditor General for Wales (and the Wales Audit Office).

2.00 BACKGROUND

2.01 Part of the role of the Audit Committee within the Constitution is to keep under review the joint working arrangements of the Council's internal and external auditors. Cooperation between the Internal Audit team and the Auditor General and his auditors benefits them both and the Council as a whole.

2.02 A Protocol between them has been in existence since 2011. A review has taken place to ensure it is up to date, reflects current practice, and forms the basis of the cooperation between them.

3.00 CONSIDERATIONS

3.01 As the external auditor, the Auditor General's objective is to carry out an audit which discharges his statutory duties and fulfils his obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice. The Code requires auditors to liaise effectively with any internal audit functions in line with international auditing standards.

3.02 Internal Audit operate according to the Public Sector Internal Audit Standards and associated Local Government Application Note. These replaced the CIPFA Code of Practice in 2013. The Application Note states that 'The CAE (Chief Audit Executive – in Flintshire the Internal Audit Manager) should seek to meet regularly with the nominated external audit representative to consult on and coordinate their respective plans and, particularly, to discuss how work can be tailored to satisfy each party's responsibilities in areas of common interest. Such meetings are an opportunity to discuss matters of

mutual interest and to help develop both parties' understanding of the organisation'.

3.03 This Protocol enables both requirements to be met.

4.00 RECOMMENDATIONS

4.01 The committee is requested to accept the Protocol as the basis for the ongoing cooperation between the internal and external auditors.

5.00 FINANCIAL IMPLICATIONS

5.01 None.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Joint Protocol between External Audit and Internal Audit

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

None.

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Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



Joint Protocol between External Audit and Internal Audit

Auditor General for Wales and Flintshire County Council

(To be)Adopted June 2015

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Introduction

1. This Protocol sets out the working relationship between the Authority's Internal and External auditors. It is a framework based on the managed audit principles and as such is not specific to any one audit year. The reasons for documenting this relationship are to:
 - reflect the different responsibilities and working arrangements of both functions;
 - formalise specific areas where effective two way co-operation and assistance will operate, thereby effectively utilising the total audit resources available;
 - provide a framework in which the annual audit planning process can progress effectively; and
 - demonstrate to the Audit Committee of the Authority the professional manner in which the two organisations work together with the objective of improving the Internal Control environment of the Authority.

Background

2. The Auditor General for Wales is the statutory external auditor for Flintshire County Council. The Auditor General is also the Chief Executive of the Wales Audit Office which employs staff that enables the Auditor General to carry out his functions.
3. The Internal Audit provision is provided as an in house function with reporting lines directly to the Chief Officer Governance. Notwithstanding this line management relationship the Internal Audit Manager has full and unlimited access to the Chief Executive, all Chief Officers and Members of the Authority. He can also contact the Chair and Members of the Audit Committee at any time.
4. The Auditor General and Internal Audit wish to agree working arrangements to ensure effective co-operation and efficient use of resources based on regular liaison, discussion and exchange of information. The combined objective of both the Auditor General and Internal Audit is to ensure that the Authority continues to receive the most effective use of the audit resource. Formalising arrangements at this stage ensures this aim is achieved by ensuring the audit remains focused and relevant to the changing demands and risks of the Authority.
5. Since the last protocol was agreed in 2010, there have been a number of statutory and other changes which impact on how both audit functions operate.
6. In April 2014, in response to new legal requirements, the Auditor General issued a revised Code of Audit Practice and Statement of Practice of the Auditor General for Wales for local government improvement audit, assessment and special inspection functions. These set out the underlying principles for carrying out our external audit work and embody best professional practice.
7. From April 2013 a common set of Public Sector Internal Audit Standards (PSIAS) were adopted. Additional guidance for local authorities is included in the

Local Government Application Note (LGAN). These set principles and establish a framework for providing internal audit services.

The Purpose and Function of External Audit

8. As the external auditor, the Auditor General's objective is to carry out an audit which discharges his statutory duties and fulfils his obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are 'true and fair';
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
9. The Auditor General's approach is to tailor the scope, scale, nature and conduct of his work to the circumstances of the Authority so that audit and inspection effort is directed to areas of greatest risk and challenge.
10. The Code emphasises, that external audit cannot act as a substitute for governments' and other public bodies' own responsibilities to put into place effective internal control arrangements, including arrangements for internal audit.
11. It is the responsibility for public bodies to ensure that their business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used economically efficiently and effectively.
12. The Code requires auditors to liaise effectively with any internal audit functions in line with international auditing standards and work efficiently, placing reliance on the work of internal audit whenever possible and appropriate.

The Purpose and Function of Internal Audit

13. 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. (*PSIAS*)
14. The professional responsibilities as Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland.
15. As such, the approach to Internal Audit also meets the requirements of the *PSIAS*.

The Public Sector Internal Audit Standards

16. The PSIAS were issued in 2013, along with a CIPFA Local Government Application Note (LGAN). These replaced the CIPFA Code of Practice for Internal Audit within Local Government. All principal local authorities subject to the Accounts and Audit (Wales) Regulations must make provision for internal audit in accordance with the PSIAS and LGAN. The PSIAS includes a Code of Ethics and the standards which establish how a professional Internal Audit service should operate in local government. The ten Standards are:

Attribute Standards

- Purpose, Authority and Responsibility
- Independence and Objectivity
- Proficiency and Due Professional Care
- Quality Assurance and Improvement Programme

Performance Standards

- Managing the Internal Audit Activity
 - Nature of Work
 - Engagement Planning
 - Performing the Engagement
 - Communicating Results
 - Monitoring Progress
17. The LGAN includes a checklist which offers to Heads of Internal Audit an opportunity to measure their own service provision against the standards. Within Flintshire County Council this is used on an annual basis as a self assessment tool, with the results reported to the Audit Committee.
18. In terms of its relationship with the Auditor General and his staff, Internal Audit retains the primary function of objectively examining, evaluating and reporting on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
19. The Internal Audit Manager ensures service delivery to clients is in accordance with the above principles and standards.
20. The LGAN states that 'The Chief Audit Executive (Internal Audit Manager) should seek to meet regularly with the nominated External Audit representative to consult on and co-ordinate their respective plans and, particularly, to discuss how work can be tailored to satisfy each party's responsibilities in areas on common interest. Such meetings are an opportunity to discuss matters of mutual interest and to help develop both parties' understanding of the organisation.'
21. It should be noted that under the PSIAS organisations are required, every five years, to conduct an external assessment of Internal Audit. This goes beyond the work that external audit undertake to place reliance upon, or to take assurance from, the work of Internal Audit.

Objective

22. This document aims to set out our approach to co-ordinate the audit work required to meet objectives of the respective codes. It will ensure the full benefits of joint working are achieved during future years.

Approach

23. This Protocol has been developed on the basis of the LGAN and the Code of Audit Practice of the Auditor General for Wales plus ongoing discussions between Internal Audit and the Auditor General and his staff.
24. Key issues considered are set out below and form a basis to take this Protocol forward:
25. Co-operation on individual and overall audit risk assessments, and on annual and cyclical planning to identify areas for coverage by both parties, ensuring a 'joined up' approach to the Authority's audit, avoiding duplication of effort and resources.
26. Regular liaison meetings are diarised to facilitate good communication. These are used to update progress, discuss audit findings and improve joint planning.
27. Exchange of information, including staff structures, responsibilities and roles within respective teams, general audit issues, technical advice, audit reports, frauds and irregularities.

External Audit quality assessment

28. As part of the Wales Audit Office's quality control assessment of External Audit suppliers, they may occasionally send the Authority a survey requesting views on the quality of External Audit service provided. Although the format and distribution of these changes regularly, where requests are made to the Section 151 Officer, Internal Audit will provide an input into the assessment.

Phasing of audit planning and work

29. To ensure co-ordination, Internal Audit and Wales Audit Office auditors will meet annually during the January – March period, prior to the new financial year, to discuss proposed coverage, feed into the Internal Audit process and at the same time inform the Auditor General's planning. The Audit Committee should be presented annually with the plans of both Internal Audit and External Audit for consideration. Members of the Committee will be able to question the auditors about the planned work. Internal Audit will schedule their Fundamental Systems work throughout the year.
30. Where individual Internal Audit assignments are proposed in areas that are in the Auditor General's audit plan, the scopes and timing of the reviews will be compared to minimise duplication. The same will apply if the Auditor General proposes to complete some work in an area that is included in the Internal Audit Plan.

The way forward

31. Producing this agreement shows commitment by both parties to continually improve the audit process and deliver an effective audit service for the Authority.
32. The Protocol will be reviewed regularly, building on the lessons learnt, and incorporating new guidance or changes in audit approach. Reviewing this Protocol may be best achieved through an annual meeting involving Wales Audit Office auditors and Internal Audit. We can then discuss and agree practical measures that enable us to continue operating in a manner which maximises effective audit coverage for the Council and avoids duplication of effort. Any changes can then be reflected in our respective audit plans.
33. Our joint working will be supported by regular meetings and the sharing of documents and information including:
 - key Wales Audit Office auditors and Internal Audit staff meeting formally on a quarterly basis;
 - ad hoc meetings between key Wales Audit Office auditors and Internal Audit staff;
 - annual meeting to discuss the risk assessment and audit planning process;
 - each year, at regular intervals, Wales Audit Office auditors and Internal Audit will provide formal feedback on our work to the Audit Committee;
 - Internal Audit will provide copies of working files, documentation and relevant reports to Wales Audit Office auditors;
 - Wales Audit Office auditors will provide copies of relevant reports or executive summaries to Internal Audit; and
 - Wales Audit Office auditors will provide feedback to Internal Audit on issues arising from their annual review.
34. The attached Action Plan identifies the part played by Internal Audit and Wales Audit Office auditors in providing effective audits.

Action Plan

| Issue | Action | Timescale | Responsibility |
|--|---|------------|--|
| Communications | | | |
| Strategic priorities shared. | Internal Audit Manager/WAO Audit Manager to meet on a three monthly basis to discuss high level issues. | Quarterly. | Internal Audit Manager/WAO Audit Manager |
| Operational issues shared. | Internal Audit Manager / Principal Auditors to meet WAO Team Leader/Performance Audit Lead to discuss outcomes from specific studies and implications for Wales Audit Office. | Ongoing. | Internal Audit Manager / Principal Auditors/ WAO Team Leader/WAO Performance Audit Lead |
| Raise awareness of work planned and findings from WAO work. | Make Wales Audit Office Plans available when finalised and all Wales Audit Office reports available when completed. | Ongoing. | WAO Audit Manager WAO Performance Manager |
| Raise awareness of work planned and of findings from Internal Audit work. | Share Audit Plan and summarise key issues arising from Internal Audit work (Annual Report). | Ongoing. | Internal Audit Manager |
| Ensure respective auditors aware of identity and structure of audit teams. | Include introduction to Internal Audit/Wales Audit Office in respective induction arrangements for permanent staff. | Ongoing. | Internal Audit Manager/WAO Audit Manager (on request) |
| Ensure all auditors aware of joint working approach. | Copy joint working protocol to all audit staff. | Ongoing. | Internal Audit Manager/WAO Audit Manager |
| Keep Internal Audit informed of major External Audit issues. | Wales Audit Office auditors to raise issues where significant implications are anticipated. | Ongoing. | WAO Audit Managers |
| Keep External Audit informed of major Internal Audit issues. | Internal Audit to raise issues where significant implications are anticipated. | Ongoing. | Internal Audit Manager |

Action Plan

| Issue | Action | Timescale | Responsibility |
|--|---|-----------------|--|
| Planning | | | |
| Minimise scope for duplication of audit coverage. | WAO to consult Internal Audit to inform the WAO Annual Audit Plan. (Internal Audit work will be a factor in the WAO's assessment of the control environment.) | February/March. | WAO Audit Manager |
| Reporting | | | |
| Audit Committee regularly informed of audit coverage and findings. | Wales Audit Office and Internal Audit reports presented to the Audit Committee. Audit Committee occurs at least four times per annum. | Quarterly | Internal Audit Manager/WAO Audit Managers |
| Governance | | | |
| Internal Audit Manager's Annual Report to inform WAO's review of Annual Governance Statement | Internal Audit Manager to provide Annual Report on the control environment annually (as presented to June Audit Committee) | May | Internal Audit Manager |
| Fraud Awareness | | | |
| Inform Wales Audit Office of major frauds. | Information provided through regular liaison meetings. | Ongoing | Internal Audit Manager |
| Share knowledge on major frauds. | Update of Authority's progress on data matching exercises (National Fraud Initiative) | Ongoing | Internal Audit Manager/WAO Audit Manager |
| Grant claims | | | |
| Maximise effectiveness of audit coverage. | Identify where Internal Audit work can assist Wales Audit Office requirements. | February/March | Internal Audit Manager / Principal Auditors/ WAO Team Leader |
| Maximise effectiveness of audit coverage. | Ensure Internal Audit testing accords with necessary sampling and evidencing requirements of agreed areas | Ongoing | Internal Audit Principal Auditors/ Wales Audit Office Team Leader |

Audit Teams

Wales Audit Office Audit Team

| Engagement Director – John Herniman | |
|--|--|
| Financial Audit Team | Performance Audit Team |
| John Herniman Engagement Lead - Financial Audit | Jane Holownia Engagement Lead – Performance Audit |
| Amanda Hughes – Financial Audit Manager | Huw Lloyd Jones – Performance Audit Manager |
| Michelle Phoenix – Financial Audit Team Leader | Paul Goodlad – Performance Audit Lead |

Flintshire Internal Audit Team

| |
|--|
| Internal Audit Manager – David Webster |
| Principal Auditor – Dave Stephens |
| Principal Auditor – Lisa Brownbill |

For the purposes of this protocol, the lead relationship between the Wales Audit Office and Internal Audit will be between the Wales Audit Office Financial Audit Team and the Internal Audit Team. However, members of the Wales Audit Office Performance Audit Team will be involved in relevant discussion, as it relates to performance work conducted under the Statement of Practice of the Auditor General for Wales for local government improvement audit, assessment and special inspection functions

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 3 JUNE 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **CERTIFICATION OF GRANT CLAIMS AND RETURNS**
2013/14

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 2014.

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 2013/14 is appended to this report. WAO will be in attendance at the meeting to present the report and to respond to members' comments and questions in relation to their audit findings. Council officers will be able to respond in relation to issues raised in the audit and the actions being taken to address them.

3.00 CONSIDERATIONS

3.01 The Corporate Finance Management Team (CFMT) has considered the report in detail, and has developed an action plan to address the findings and recommendations in the report. This plan will be closely monitored and reviewed in July and October 2015 to ensure that appropriate actions have been taken to address the recommendations.

3.02 In relation to the overall grants total of £183m, the net adjustment to claims of £0.224m is a relatively small proportion. It should be noted that this does not represent the overall loss of income to the Council, due to the fact that £0.200m of this figure relates to the timing of the receipt of grant income. However it is recognised that there have been a number of new issues raised and that there is further work to be done to improve the quality of the claims. Throughout the year, Officers have worked alongside WAO in addressing any particular issues as they arise and have identified a number additional controls to be introduced with immediate effect.

3.04 To support these controls WAO have offered to undertake two interactive training sessions in June and August this year which will be mandatory for all officers responsible for dealing with grants. In addition a pre audit check will be introduced this financial year to highlight any

particular issues prior to audit, to identify any issues that require additional supporting evidence which can then be submitted prior to the commencement of the audit.

4.00 RECOMMENDATIONS

4.01 Members are requested to note the content of the Grant Claim Certification for 2013/14.

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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Certification of Grants and Returns 2013-14

Flintshire County Council

Audit year: 2013-14

Issued: April 2015

Document reference: 310A2015

Status of report

This document has been prepared for the internal use of Flintshire County Council as part of work performed in accordance with the statutory functions.

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

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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 and conclude that while the Council had generally adequate arrangements in place for the production and submission of its 2013-14 grant claims, there is scope for improvement and further embedding of previously adopted arrangements. We are continuing to work with the Council to make these improvements for 2014-15. Our conclusion for 2013-14 is based on the following overall findings:
 - fifty-three per cent of the 2013-14 claims were qualified compared with 45% in 2012-13. A further 26% of claims were also subject to amendment, although not qualified (19 per cent in 2012-13);
 - there have been a number of new qualification issues raised in 2013-14 when compared within 2012-13; and
 - whilst the Council has previously implemented the use of a 'Grant Completion Checklist', we found that it was not being consistently used or completed correctly.
4. For 2013-14 we certified 19 grant claims with a value of £183 million (in 2012-13 there were 31 claims with a value of £190 million). The reduction in claims certified primarily relates to the reduction in the number of Communities First schemes from nine in 2012-13 to two in 2013-14.
5. The Council submitted 11 of its 2013-14 by the required deadline, whilst the remaining eight claims were late. We can confirm that we have certified all of the claims, at a total audit cost of £96,432. Overall, the audits resulted in a reduction of £223,649 being claimable by the Council in respect of 2013-14, although £199,911 relates to a timing issue upon the receipt of grant income and did not affect the actual amount due to the Council.
6. 1:2 of the claims were qualified which is above the Welsh average of 1:4 for 2013-14.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Council's 2013-14 grant claims and returns

- As appointed auditors of the Council, we are asked on behalf of the Auditor General, to certify grant claims made by the Council.
- For 2013-14 we certified 19 grants with a total value of £183 million.
- At the start of our grant audit work for 2013-14, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation) and agreed our proposed approach for completing the grant work. As part of the arrangements it was agreed that a Grant Checklist would be included on each grant claim file. The Grant Checklist highlighted the key areas the Wales Audit Office would be reviewing whilst performing grant auditor certification. However, completion of the checklist was inconsistent.
- In addition to the formal audit certificate and any qualification letters, we also issued informal Grant Feedback Memorandums to the officers who compile the grant claims, which aim to highlight issues identified in conducting the audit and make recommendations for improvement. A total of 14 memorandums were issued during the year.
- 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.
- We have recently held a post project learning session with the grants coordinator to discuss how the recommendations made in this report can be addressed in future, including some changes to processes and additional training events.

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Timely receipt of claims

- Our analysis shows that 58% of grants received during the year were received by the Council's deadline. Of the eight submitted late, two were the Communities First claims. The audit submission deadline was 31 July 2014, with an audited claim submission of 31 December 2014. These claims were not received by us until 14 October 2014.
- In future, the Council 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

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| | | |
|-------------------------------------|---|---------------------|
| | <p>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.</p> <ul style="list-style-type: none"> • We know that the Council is working to improve its Grants database for 2014-15, in order to be aware of when claims are due for audit, which can then be managed by the Grants co-ordinator. | |
| <p>Certification results</p> | <p>We issued unqualified certificates for nine grant claims but qualifications were necessary in 10 cases (53%)</p> <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 2013-14: <ul style="list-style-type: none"> Qualification issues reported in previous financial years <ul style="list-style-type: none"> – Some claims forms were not completed in accordance with grant terms and conditions; – there was a lack of supporting evidence for a number of claims; – approval was not sought (from the grant awarding body) for changes to the claim; – there were instances of ineligible expenditure; – the maintenance of asset registers (in accordance with terms and conditions) was weak; – in some instances the Council was unable to fully reconcile the claim to the ledger; and – Service Level Agreements (SLAs), with third parties, were not always signed. Qualification issues reported for the first time in 2013-14 <ul style="list-style-type: none"> – There was a lack of monitoring of third party expenditure; – approval for virements between approved claim headings was not sought from the grant awarding body; – incorrect processing of pension adjustments; – non-compliance with the Council's standing orders for contracts. | <p>Pages 8 - 27</p> |

Audit adjustments**Adjustments were necessary to 13 of the Council's grants and returns as a result of our auditor certification work this year**

- There were three significant adjustments (ie over £10,000). An adjustment of £11,730 (increase) was made to the Welsh in Education claim, £15,686 (decrease) was made on the Flying Start Revenue claim, and £200,011 (decrease) was made to the Free Concessionary Travel claim.
- The net adjustment of the 13 grants is a reduction of £223,649 in funds payable to the Council (although £199,911 was due to a timing issue and did not affect the overall entitlement). Excluding the three significant adjustments, the net adjustment of the other 10 grants is a decrease of £19,682 to the Council.

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The Council's arrangements**The Council has generally adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required and previously adopted processes need to be better embedded**

- In paragraph 10 we have set out a number of recommendations which, if addressed, would eliminate the key issues identified as a result of our grants certification work.
- In particular, the Council needs to ensure that:
 - Grant Checklists are completed correctly to ensure that the relevant audit evidence is available to both allow the responsible finance officer to certify the claim on behalf of the Council and for audit purposes;
 - the claims are completed in accordance with the terms and conditions of the grant and do not contain ineligible expenditure;
 - appropriate monitoring arrangements are in place for expenditure incurred by partners and third parties to ensure that those organisations are complying with grant scheme rules and keeping adequate records of expenditure; and
 - relevant staff are aware of and comply with the Council's contract procedure rules when letting contracts.
- The Council should ensure that issues identified in both qualification letters and grants feedback memos are addressed to eliminate their re-occurrence.

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Fees

Our overall fee for certification of grants and returns for 2013-14 is £96,432

Summary of certification work outcomes

7. Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2013-14 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
8. 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.

Key information for 2013-14

Overall, we certified 19 grants and returns (31 in 2012-13):

- 4 were unqualified with no amendment (14 in 2012-13)
- 5 were unqualified but required some amendment to the final figures (6 in 2012-13)
- 2 required a qualification to our audit certificate (7 in 2012-13)
- 8 were qualified and required some amendment to the final figures (7 in 2012-13)

| Ref – Para 10 | Grants and returns | Claim due | Claim received | Late | Qualified certificate | Adjustment (>£10,000) | Adjustment (<£10,000) | Unqualified certificate | 2012-13 Result |
|---------------|---|-----------|----------------|------|-----------------------|-----------------------|-----------------------|-------------------------|--------------------------|
| 1 | Housing Benefits Subsidy | 30-04-14 | 30-04-14 | No | ✓ | | £-2,881 | | Qualified with amendment |
| 2 | Schools Effectiveness and Pupil Deprivation Grant | 30-09-14 | 19-09-14 | No | ✓ | | | | Qualified with amendment |
| | Transition from SBIG | 30-09-14 | 30-09-14 | No | | | | ✓ | Unqualified |
| 3 | 14-19 Learning Pathways | 30-09-14 | 25-09-14 | No | ✓ | | £-1,000 | | Qualified with amendment |
| | Welsh Learning Disability Strategy | N/a | N/a | N/a | | | | No claim in 2013-14 | Amended |
| 4 | Welsh in Education | 30-09-14 | 25-09-14 | No | | £11,730 | | ✓ | Qualified |
| 5 | North East Wales Town Centre Improvement Regeneration Project | 21-01-15 | 27-01-15 | Yes | ✓ | | £-249 | | Unqualified |
| 6 | Flying Start (Revenue) | 30-09-14 | 29-10-14 | Yes | ✓ | £-15,686 | | | Amended |
| 7 | Flying Start (Capital) | 30-09-14 | 30-09-14 | No | | | Nil effect | ✓ | No claim in 2012-13 |

| | | | | | | | | | |
|----|------------------------------------|----------|----------|-----|---|--|------------|---------------------|--------------------------|
| 8 | Families First | 30-09-14 | 02-10-14 | Yes | | | £-5,862 | ✓ | Unqualified |
| | Pooled Budget Memorandum Account | 10-05-14 | 09-05-14 | No | | | | ✓ | Unqualified |
| 9 | HRA Subsidy | 31-08-14 | 20-09-14 | Yes | | | £-130 | ✓ | Amended |
| | Substance Misuse Action Fund | N/a | N/a | N/a | | | | No claim in 2013-14 | Qualified |
| 10 | National Non-domestic Rates Return | 30-05-14 | 30-05-14 | No | ✓ | | Nil effect | | Qualified with amendment |
| | Sustainable Waste Management | 30-09-14 | 29-09-14 | No | | | | ✓ | Unqualified |
| 11 | Teachers' Pension Return | 30-06-14 | 30-06-14 | No | ✓ | | Nil effect | | Unqualified |
| 12 | Communities First – Flint West | 31-07-14 | 14-10-14 | Yes | ✓ | | £-5,517 | | New scheme |
| 13 | Communities First – Flint East | 31-07-14 | 14-10-14 | Yes | ✓ | | £-4,043 | | New scheme |
| | Communities First – Central Team | N/a | N/a | N/a | | | | No claim in 2013-14 | Qualified |
| | Communities First – Rural North | N/a | N/a | N/a | | | | No claim in 2013-14 | Qualified with amendment |

| | | | | | | | | |
|---|----------|----------|-----|--|--|--|---------------------|--------------------------|
| Communities First – Rural North Exit Strategy | N/a | N/a | N/a | | | | No claim in 2013-14 | Qualified |
| Communities First – Higher Shotton | N/a | N/a | N/a | | | | No claim in 2013-14 | Qualified with amendment |
| Communities First – Holywell Neighbourhoods | N/a | N/a | N/a | | | | No claim in 2013-14 | Qualified with amendment |
| Communities First – Bryn Gwalia (Non-core) | N/a | N/a | N/a | | | | No claim in 2013-14 | Amended |
| Communities First – Bryn Gwalia (Core) | N/a | N/a | N/a | | | | No claim in 2013-14 | Unqualified |
| Communities First - Castle Ward (Non-core) | N/a | N/a | N/a | | | | No claim in 2013-14 | Amended |
| Communities First – Castle Ward (Core) | N/a | N/a | N/a | | | | No claim in 2013-14 | Qualified |
| Town Improvement Warren Bank | N/a | N/a | N/a | | | | No claim in 2013-14 | Unqualified |
| Town Improvement Manor Lane | N/a | N/a | N/a | | | | No claim in 2013-14 | Qualified |
| Social Care Workforce Development Programme | 27-09-14 | 30-09-14 | Yes | | | | ✓ | Unqualified |

| | | | | | | | | | | |
|--------------|------------------------------------|----------|----------|-----|-----------|------------------|-----------------|----------|--|-------------|
| 14 | Regional Transport Consortia Grant | 30-09-14 | 22-09-14 | No | ✓ | | | | | Unqualified |
| 15 | Free Concessionary Travel | 30-09-14 | 04-11-14 | Yes | | £-200,011 | | ✓ | | Amended |
| Total | | | | | 10 | £-203,967 | £-19,682 | 9 | | |

9. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 10 to 13.

| Ref | Summary observations | Amendment |
|-----|--|-----------|
| 1 | <p>Housing Benefits Subsidy</p> <ul style="list-style-type: none"> • The claim was amended for a number of errors identified from testing, and this decreased the amount payable by £2,881. • The claim was qualified for the following reasons: <ol style="list-style-type: none"> a. Rent rebates (non-HRA): <ul style="list-style-type: none"> - misclassification of tenancy type by the subsidy system; and - incorrect BMRA rent applied within a benefit calculation. b. Rent rebates (HRA): incorrect tax credit applied within the assessment of benefit, which led to additional testing and extrapolation of the errors identified. c. Rent allowances: <ul style="list-style-type: none"> - errors within earnings included within benefit calculations, which led to additional testing and extrapolation of the errors identified; - misclassification of LHA benefit as an eligible overpayment; - a registered social landlord rent was identified as not having been increased in line with the updated rates received from the landlord; and - tax credit applied within the assessment of benefit, which led to additional testing and extrapolation of the errors identified. | £-2,881 |
| 2 | <p>Schools Effectiveness and Pupil Deprivation Grant</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – A full ledger reconciliation of expenditure to the claim has not been completed. – Expenditure is included within generic education codes. As such, we could not conclude that duplication with other claims had been avoided. – Sufficient evidence to support that time attributed to apportioned salary costs charged to scheme activities was not provided. – There was a lack of evidence to support eligibility of some expenditure items. | £Nil |

| Ref | Summary observations | Amendment |
|-----|--|-----------|
| | <ul style="list-style-type: none"> - One item included within the claim was outside of the claim period. - One item included within the claim included recoverable VAT. - One item included within the claim was for a payment in advance. - A schedule compiling expenditure incurred by schools from their returns to the Council was provided to us 04/12/14 and therefore the figures included on the claim form were not supported when signed by the Chief Finance Officer (CFO). | |
| 3 | <p>14-19 Learning Pathways</p> <ul style="list-style-type: none"> • The claim was amended by £-999.63 due to over-claimed supply costs. • The claim was qualified for the following reasons: <ul style="list-style-type: none"> - supporting information for costs incurred by Coleg Cambria was not available; and - timesheets to support apportioned staff costs and supply costs were not available. • Other issues raised within the audit: The CFO signs the statement of expenditure which states – ‘<i>Systems and controls are in place at the Council to ensure that the grant is used for the purposes for which it is given whether spent directly, passed to schools or third parties.</i>’ The audit identified that the supporting prime documentation for costs reimbursed to do not enable the Council to check that the costs have been incurred, and are in line with the grant, in particular the cost of supply cover. | £-999.63 |
| 4 | <p>Welsh in Education</p> <ul style="list-style-type: none"> • The claim was amended for the following reasons: <ul style="list-style-type: none"> - An amendment was required to Column F of the claim which was shown as a credit of £5,865 rather than a debit. - An amendment was required to the administration recharge, from £343,333 to £341,660 as this had been over-claimed. This did not affect the amount claimable by the Council. | £11,730 |

| Ref | Summary observations | Amendment |
|-----|---|-----------|
| 5 | <p>North East Wales Town Centre Improvement Regeneration Project</p> <ul style="list-style-type: none"> • The claim was amended as an amount of reclaimable VAT had been included within eligible expenditure, totalling £249.14. • Other issues raised within the audit: <ul style="list-style-type: none"> – No monitoring of partner transactions had been undertaken, and as such, there were no systems in place to ensure defrayal of these transactions. Additional testing of partner expenditure was undertaken as this was classed as a control environment failure. | £-249 |
| 6 | <p>Flying Start (Revenue)</p> <ul style="list-style-type: none"> • The claim was amended for the following reasons: <ul style="list-style-type: none"> – £211 of costs were removed as they were not based on actual costs and therefore not eligible. – The expenditure was increased by £420 as an internal invoice had been incorrectly totaled. However, this has not been included in the total invoiced amount. The Council therefore under claimed. – Unspent amounts at year-end were identified within partner expenditure of £10,150.89. This was ineligible as costs must be incurred by the end of the claim period. – VAT totalling £634.66 was included which is not eligible expenditure. – One item related to a cost of £106.80 incurred within 2014/15 was not eligible for the 2013/14 claim. – One item costing £5000 related to capital expenditure (a fence) which was not included in Flying Start Capital as that scheme had been utilised in full. Capital items are not eligible for funding from the Flying Start Revenue scheme and therefore an adjustment was made to exclude this item. • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – Supporting evidence for third party expenditure was not provided for a number of items. – The process and analysis of information in the setting of the rate reimbursed to childcare providers for providing Flying Start places was not evidenced. – No Service Level Agreements (SLA's) are in place between with Council and any partner or third party involved in the Flying Start scheme, for service provision. | £-15,686 |

| Ref | Summary observations | Amendment |
|-----|--|------------|
| | <ul style="list-style-type: none"> - The eligibility of expenditure for a number of items could not be determined. - Salary appointments in two cases were not supported by appropriate evidence. - One item of payroll costs sample tested could not be agreed to the payroll system. - Virements in budget headings included on the claim form were required to be approved by WG if over 10% tolerance limit. This approval was not sought by the Council. | |
| | <ul style="list-style-type: none"> • Other issues raised within the audit: <ul style="list-style-type: none"> - At the start of the audit there was no overall reconciliation to the ledger provided, although this is one of the requirements on the grant completion checklist. | |
| 7 | <p>Flying Start (Capital)</p> <ul style="list-style-type: none"> • The claim form was amended as the pre-printed allocations for two schemes had been incorrectly populated by WG. Confirmation was received from them on the correct values and was therefore amended. | Nil effect |
| 8 | <p>Families First</p> <ul style="list-style-type: none"> • The claim was amended as, in total, seven transactions did not relate to 2013-14. Five transactions, totalling £3,411.49 related to 2012-13 travel claims paid in April 2014, and one to a March 2013 invoice which was paid in May 2013. One transaction related to a payment for training that occurred in April 2014. The total value of the amendment was £5,861.49. • Other issues raised within the audit: <ul style="list-style-type: none"> - Whilst no new contracts have been issued in 2013-14, contracts were reviewed to support the above testing. It was evidenced that the contracts held by both Families First and Procurement had not been signed by two authorised officers from the Council and therefore do not comply with the standing orders. We would recommend that Contract Procedure Rules are adhered to, and compliance with these would ensure that all new contracts are properly signed. | £-5,862 |

| Ref | Summary observations | Amendment |
|-----|---|------------|
| 9 | <p>HRA Subsidy</p> <ul style="list-style-type: none"> • Cell 2500 was decreased by £130 as this was not the correct figure per the Housing Benefits system. • Other issues raised within the audit: <ul style="list-style-type: none"> – The initial form submitted was an incorrect version of the 13-04(W) form, as the new cell 3000 was not on the form. A further incorrect version was received by the Wales Audit Office before the correct version was received. | £-130 |
| 10 | <p>National Non-Domestic Rates Return</p> <ul style="list-style-type: none"> • The return was amended within lines 8.5 and 8.6, as two properties were misclassified as post offices. The amendment had no overall effect on the return. • The return was qualified as the entry in line 27, Contributions to the Pool, did not reconcile to the Council's working papers, by a value of £458. | Nil effect |
| 11 | <p>Teachers' Pension Return</p> <ul style="list-style-type: none"> • The initial completed return for Teachers' pension received by audit was form EOYCa. This should have been form EOYCb. There was some confusion this year as Teachers' Pensions incorrectly advised the Council that this was correct. The Council submitted a replacement form to us for audit, then being the correct version. • On the supporting working papers there was a manual error made when recording the contributions for August 2013. The employers and employees contributions were input the wrong way round, resulting in an understatement of Employers' contributions of £9,116.19 and an overstatement of Employers' contributions of £9,116.19. Whilst this had no overall effect on the claim it resulted in an amendment to the claim. • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – For one item tested the employee contribution rate was set at 6.4% when it should have been at a rate of 8.8%. – Two items tested related to employees that had transferred from a different Council. The employees were incorrectly put on Local Government conditions rather than Teachers' conditions. – One item tested found that pension had not been paid on back pay awarded. This was a manual error. | Nil effect |

| Ref | Summary observations | Amendment |
|-----|---|-----------|
| | <ul style="list-style-type: none"> - A further system error (which was being queried with Midland, the system provider) resulted in an incorrect contribution rate being applied to an element of pay. - The Council had not reviewed the 2013-14 information provided by the two external payroll providers, which relate to the payroll administration of Derwen Primary School and Connahs Quay High School. | |
| 12 | <p>Communities First – Flint West</p> <ul style="list-style-type: none"> • The claim was amended for the following reasons: <ul style="list-style-type: none"> - There was no accurate reconciliation provided at the commencement of the audit, nor was it provided until 26/11/14. Completion of this task found that the claim had been understated by £188.40. - A review of the transactions noted that no reserves had been completed for staff travel costs that had been claimed in April 2014 but related to the 2013/14 claim. Therefore the claim was understated by £358.41. - Costs totalling £1,599.23 had been included that did not relate to the 2013/14 period and were therefore removed. - Costs above an approved amount provided to a partner, had been included within claimed expenditure. The scheme's share of this was £45.07. This was ineligible and removed. - Expenditure was incurred on a SLA not approved at the time, and as such was ineligible expenditure. Therefore the scheme over claimed £3,825. - An item of £100 was not supported by any evidence and this was removed from the claim. - An item of expenditure relating to the hire of a smoothie bike from West Flintshire Community Enterprises Ltd was tested. However, the smoothie Bike had not been transferred to WFCE and was incorrectly deleted off the Council's asset register. The claim was decreased by the £200 paid for hire charges. - As part of the bid, an apportionment of management time was included. This was an estimate completed for the bidding process. However, this was not updated for the actual cost prior to inclusion of this item in the claim. The amendment for this was £21.35 as the Council had under-claimed. • The claim was qualified for the following reasons: | £-5,517 |

| Ref | Summary observations | Amendment |
|-----|--|-----------|
| | <ul style="list-style-type: none"> - As per the Council's Contract Procedure Rules (CPRs), contracts with a value of £25,001 and above, where no Corporate Purchasing Arrangement is in use, require a minimum of four tenders. For three contracts/ service level agreements included within our testing, there was no evidence that the services had gone out to tender. No exemption reports were completed for these contracts. - In addition, the Council's CPRs state that contracts valued between £25,000-£250,000 have to be signed by at least two authorised officers. This requirement would relate to all three contracts tested. The contracts had only been signed by one officer. - For contracts valued at less than £10,000, the Council's CPRs state that the Responsible Officer, where practical, must obtain a minimum of one quotation. The goods and services procured from West Flintshire Community Enterprises, did not comply with these requirements. • Other issues raised within the audit: <ul style="list-style-type: none"> - A Grant Completion Checklist was provided with the signed claim. However, this was not fully completed and therefore there were missing working papers. - A draft partnership agreement has been drawn up between WFCE and CF. However the information in the agreement does not comply with the Council's contract procedures rules. | |
| 13 | <p>Communities First – Flint East</p> <ul style="list-style-type: none"> - The claim was amended for the following reasons: - There was no accurate reconciliation provided at the commencement of the audit, nor was it provided until 26/11/14. Completion of this task found that the claim had been understated by £202.66. - A review of the transactions noted that no reserves had been completed for staff travel costs that had been claimed in April 2014 but related to the 2013/14 claim. Therefore the claim was understated by £167.88. - Costs totalling £565.29 had been included that did not relate to the 2013/14 period and were therefore removed. - Costs above an approved amount provided to a partner, had been included within claimed expenditure. The scheme's share of this was £45.07. This was ineligible and removed. - Expenditure was incurred on a SLA not approved at the time, and as such was ineligible expenditure. Therefore the scheme over claimed £3,825. | £-4,043 |

| Ref | Summary observations | Amendment |
|-----|--|-----------|
| | <ul style="list-style-type: none"> – As part of the bid an apportionment of management time was included. This was an estimate completed for the bidding process. However this was not updated for actuals prior to inclusion of this cost in the claim. The amendment for this was an amendment of £21.35 as the Council had under-claimed. • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – As per the Council’s Contract Procedure Rules (CPRs), contracts with a value of £25,001 and above, where no Corporate Purchasing Arrangement is in use, require a minimum of four tenders. For three contracts/ service level agreements included within our testing, there was no evidence that the services have gone out to tender. No exemption reports were completed for these contracts. – In addition, the Council’s CPRs state that contracts valued between £25,000-£250,000 have to be signed by at least two authorised officers. This requirement would relate to all three contracts tested. The contracts had only been signed by one officer. • Other issues raised within the audit: <ul style="list-style-type: none"> – A Grant Completion Checklist was provided with the signed claim. However this was not fully completed and therefore there were missing working papers. | |
| 14 | <p>Regional Transport Consortia Grant</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – One item tested related to a balancing figure of £9,210, which was the difference between the amount already claimed and amount spent to date and as such, does not relate to a specific item that could be evidenced. – A value of £8,373 related to time spent on engineering works by internal Council staff. Timesheets have not been provided to support the hours attributable to the cost which has been charged to the scheme. – One item tested included an amount, £4,264 unspent at year-end and as such was not eligible. – One item tested related to £720 included for publicity purposes. Evidence to support that this had been spent on publicity purposes was not provided. – One item tested totalled £2,100 but of this amount, only £309 was supported by invoices. • Other issues raised within the audit: <ul style="list-style-type: none"> – Two minor errors were identified that were not included in the qualification letter. These errors were not | |

| Ref | Summary observations | Amendment |
|-----|---|------------------|
| | <p>amended for due to the claim form being completed in £'000 and would therefore have no effect on the claim itself.</p> <ul style="list-style-type: none"> - The grant completion checklist has been completed by the grants officer, but there was no evidence of separate review of this. Review by a senior officer prior to submission of the claim provides assurance to the CFO that the certificate is well supported. | |
| 15 | <p>Free Concessionary Travel</p> <ul style="list-style-type: none"> • The claim was amended for the following reasons: <ul style="list-style-type: none"> - The claim form was amended as section 4d of the original claim form (grant paid to date for Q4) was incorrectly completed - it included only the Q4 January - February payment, and not the Q4 March payment also. Both Q4 payments should have been included as they had been received at the time the return was signed. The claim was amended to correct this. - The original claim had an arithmetical error on section 4 which resulted in the claim being overstated by £100. The claim has subsequently been amended to correct this. | £-200,011 |
| | Total effect of amendments to the Council | £-223,649 |

Recommendations

10. We make the following recommendations to improve the Council's Grant arrangements. We will follow up these recommendations during next year's audit.

| Recommendations | |
|-----------------|---|
| R1 | The Council should ensure that claim forms are completed by the required deadlines and in accordance with the relevant grant terms and conditions. |
| R2 | The Council should strengthen its arrangements, including completion of the Grants Checklist and its quality assurance processes, 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) and appropriate reconciliations between the financial ledger and the claim. |
| 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, is 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 | The Council should ensure that monitoring procedures are put in place to ensure that expenditure incurred by third parties and partners is eligible, and the procedures should support the Chief Finance Officer certification. |
| R6 | Agreed arrangements and or delivery plans between the Council and third parties and partners (for the delivery of grant funded work) should be supported by signed Service Level Agreements (SLAs). |
| R7 | The Council should ensure that internal standing orders are complied with including Contract Procedure Rules. |

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 3 JUNE 2015**
REPORT BY: **CHIEF OFFICER (PEOPLE AND RESOURCES)**
SUBJECT: **FINANCIAL PROCEDURE RULES**

1.00 PURPOSE OF REPORT

- 1.01** To provide Audit Committee with the proposed updated Financial Procedure Rules (FPR's) as detailed in Appendix A.
- 1.02** To seek a recommendation to the next available County Council scheduled for 23 June 2015.

2.00 BACKGROUND

- 2.01** Section 151 of the Local Government Act 1972 and the Accounts and Audit (Wales) Regulations require the Council to make arrangements for the proper administration of its financial affairs.
- 2.02** To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to, part of this process is the establishment of financial regulations that set out the financial policies of the Authority.
- 2.03** The Financial Procedure Rules (FPR's) state that an annual review should take place each year and each individual rule will be reviewed at least every two years. The outcome of each review will be reported to Council, along with any recommendations for changes.
- 2.04** The FPR's have been fully revised and modernised to reflect the CIPFA guidance on financial regulations.
- 2.05** The proposed changes have been prepared in consultation with the Chief Officer Team.

3.00 CONSIDERATIONS

3.01 The FPR's have been split into six main sections:

1. Status of Financial Regulations
2. Financial Management – General roles and responsibilities
3. Financial Planning
4. Risk Management and Control of Resources
5. Financial Systems and Procedures
6. External Arrangements

3.02 Once approved the FPR's will be published on the Infonet and a programme of awareness raising will be implemented with all staff needing to complete a training session to ensure that they are aware of the responsibilities they have in the adherence of the FPR's

3.03 A summary of the FPR's will also be available which is intended to be an easy guide for budget holding managers and other staff. This will include practical advice and references to more detailed information when requested. A copy of the summary version of the FPR's is included in Appendix C.

4.00 RECOMMENDATIONS

That Audit Committee approve the updated Financial Procedure Rules and recommend they are submitted to Council

5.00 FINANCIAL IMPLICATIONS

The implementation of these rules ensures robust, consistent financial processes across the Authority.

6.00 ANTI POVERTY IMPACT

None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

None directly as a result of this report.

8.00 EQUALITIES IMPACT

None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

None directly as a result of this report.

10.00 CONSULTATION REQUIRED

11.00 CONSULTATION UNDERTAKEN

The proposed changes have been prepared in consultation with the Chief Officer Team, Corporate Finance Management Team and Internal Audit.

12.00 APPENDICES

Appendix A – Copy of the updated Financial Procedure Rules
Appendix B – Glossary of Financial Terms
Appendix C – Financial Procedure Rules summarised version

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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Flintshire County Council

Financial Procedure Rules

Revised 2015

Contents

1. Status of Financial Regulations
2. Financial Management – General Roles and Responsibilities
3. Financial Planning
4. Risk Management and Control of Resources
5. Financial Systems and Procedures
6. External Arrangements

1. Status of Financial Regulations

1.1 What are Financial Procedure Rules?

1.1.1 Financial Procedures provide the framework for managing the Authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf.

1.1.2 The procedures identify the financial responsibilities of the full Council, the Cabinet and officers.

1.1.3 Where there are references to the Chief Executive and Chief Officer the responsibility is as follows:

The Chief Executive as Head of Paid Service at a strategic level provides oversight, coordination and direction across the organisation.

Chief Officers are accountable at a strategic and operational level for resource management, performance management and delivery of services for the Portfolio for which they have responsibility.

In addition, the Council holds the following statutory posts:

The Head of Paid Service is the Chief Executive

The Chief Finance Officer is the Corporate Finance Manager

The Chief Education Officer is the Chief Officer (Education and Youth)

The Monitoring Officer and Chief Legal Officer is the Chief Officer (Governance)

1.1.4 These Financial Procedure Rules are part of the Authority's Rules of Procedure. They must be read in conjunction with the rest of the Constitution, of which they form part, including the Contract Procedure Rules.

1.1.5 These Financial Procedure Rules and other regulatory rules apply to the Clwyd Pension Fund except where separate legislation exists, e.g. Local Government Investment Regulations.

1.2 Why are they important?

1.2.1 To conduct its business effectively, the Authority needs to ensure that sound financial management arrangements are in place and that they are strictly adhered to in practice. Part of this process is the establishment of Financial Procedures which set out the financial responsibilities of the Authority. These procedures have been devised as a control to help the Authority manage its financial matters properly in compliance with all necessary requirements.

1.2.2 Good, sound financial management is a key element of the Authority's Corporate Governance framework which helps to ensure that the Authority is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

1.2.3 Good financial management secures value for money, controls spending, ensures due probity of transactions and allows decisions to be informed by accurate accounting information.

1.2.4 Good financial management requires secure and reliable records and systems to process transactions and information and substantiate the effective use of public money.

1.2.5 Financial Procedures should not be seen in isolation, but rather as part of the overall regulatory framework of the Authority as set out in the Council's Constitution.

1.3 Who do Financial Procedures apply to?

1.3.1 Financial Procedures apply to every member and officer of the Authority and anyone acting on its behalf. Members and officers have a general responsibility for taking reasonable action to provide for the security and use of the resources and assets under their control, and for ensuring that the use of such resources and assets is legal, is consistent with Authority policies and priorities, and is properly authorised, provides value for money and achieves best value.

1.3.2 Separate financial procedures have been incorporated into the Authority's Scheme for Financing of Schools and relate to those matters where decisions have been delegated to school governing bodies.

1.3.3. These Financial Procedures shall apply in relation to any partnership for which the Council is the accountable body, unless the Council expressly agrees otherwise.

1.3.4 Failure to observe Financial Procedures may result in action under the Authority's disciplinary procedures.

1.4 Who is responsible for ensuring that they are applied?

1.4.1 The Chief Executive and Chief Officers are ultimately responsible to the Council for ensuring that Financial Procedures are applied and observed by his/her staff and contractors providing services on the Authority's behalf and for reporting to the Chief Finance Officer any known or suspected breaches of the procedures.

1.4.2 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedures and submitting any additions or changes necessary to the Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedures to the Council and/or to the Members.

1.4.3 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Procedures which Members, Chief Executive and Chief Officers and others acting on behalf of the Authority are required to follow.

1.4.4 Where any Officer considers that complying with Financial Procedures in a particular situation might conflict with the achievement of value for money or the principles of Best Value or the best interests of the Local Authority, he/she shall raise the issue with the Chief Finance Officer who will, if he/she considers necessary and appropriate, seek formal approval from the Council for a specific waiver of the procedures, or an amendment to the procedures themselves.

2. Financial Management – General Roles and Responsibilities

The Role of the Full Council

2.1.1. The Council has a duty towards its Council Tax payers with regard to financial decisions and their consequences. The full Council is responsible for adopting the Council's Constitution and Members' Code of Conduct and for approving the budget and policy framework within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control. The full Council is also responsible for monitoring compliance with policies and related Cabinet decisions.

2.2 The Role of the Cabinet

2.2.1 The Cabinet (as the Council's Executive) is responsible for proposing the Budget and Policy Framework to full Council, and for discharging executive functions in accordance with the Budget and Policy Framework.

2.3 The Role of the Chief Finance Officer

2.3.1 The Chief Finance Officer is accountable to the Chief Executive and the Council and has statutory duties that provide overall responsibility for the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. These statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations (Wales) Regulations currently in force

2.3.2 The Chief Finance Officer among other functions is responsible for;

- a) The proper administration of the Council's financial affairs.
- b) Setting and monitoring compliance with financial management standards.
- c) Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
- d) Advising on all matters which affect, or potentially affect, the finances or financial administration of the Council.
- e) Providing financial information.
- f) Making recommendations to the Cabinet and Council for the preparation of the revenue budget and capital programme.

- g) Preparing the approved revenue budget and capital programme.
- h) Treasury management.

The Chief Executive and Chief Officers are responsible for promoting the financial management standards set by the Chief Finance Officer in their portfolio and monitoring adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to every Member of the Cabinet or the Council as appropriate and to the External Auditor, if the Council, a Committee or Officer of the Authority, or a Joint Committee on which the Council is represented:

- Has made, or is about to make, a decision which involves or would involve the Council incurring expenditure which is unlawful.
- Has taken, or is about to take, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the Council.
- Is about to make an unlawful entry in the Council's accounts.

The Chief Finance Officer must consult with the Head of Paid Service and the Monitoring Officer as far as practicable in preparing any report under Section 114.

The Chief Finance Officer shall make a report under this Section if it appears to him or her that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she is unable to perform the duties under Section 114 personally, due to absence or illness.
- The Council to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

(All references to a Committee (joint or otherwise) include Sub-Committees).

Where a report has been issued by the Chief Finance Officer under Section 114 of the Local Government Finance Act 1988, the Council and the Local Authority's Head of the Paid Service shall then follow the requirements of Sections 115 and 116 of the said Act.

2.4 The Role of Chief Officers

2.4.1 Chief Officers are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy.

2.4.2 Chief Officers are responsible for:

- a) Ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions and the management of activities, having regard to advice and guidance from the Chief Finance Officer.
- b) Ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.
- c) Consulting with the Chief Finance Officer in seeking approval regarding any matters which may affect the Council's finances materially, before any commitments are incurred.
- d) Consulting with each other on any issue with corporate financial implications before submitting policy options or recommendations to Members.

3. Financial Planning

3.1 Strategic Planning

Why is this important?

Planning is a continuous process and is a fundamental tool in the management and control of the Authority. The Local Authority has a statutory responsibility to produce various plans. Financial planning is a key part of this process, setting out the financial consequences of the actions planned to meet the objectives and targets set within the plan.

Key Controls

- Ensure that all relevant plans are produced and that they are consistent with Corporate objectives
- Produce plans in accordance with statutory requirements
- Meet the timetables set
- Ensure that all performance information is accurate, complete and up to date
- Provide improvement targets that are meaningful, realistic and challenging

Responsibilities of the Chief Finance Officer

- a) To advise and supply the financial information that needs to be included in plans in accordance with the statutory requirements and agreed timetables
- b) To contribute to the development of corporate and service targets and objectives and performance information
- c) To ensure that performance information is monitored frequently to allow corrective action to be taken if targets are not likely to be met

Responsibilities of the Chief Officers

- a) To contribute to the development of plans in line with statutory requirements
- b) To contribute to the development of corporate and service targets and objectives and performance information.

3.2 Budgets and Medium Term Planning

Why is this important?

The Local Authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively to enable scarce resources to be allocated in accordance with the Council's priorities.

Flintshire's Medium Term Financial Strategy (MTFS) provides a framework for the financial principles through which revenue and capital resources will be forecast, organised and managed to deliver the Authority's vision and strategic objectives.

Integral to the Medium Term Financial Strategy, is the Medium Term Financial Plan (MTFP) which uses detailed intelligence led forecasting. The MTFP estimates available resources; investment needs linked to the Authority's Improvement Plan and priorities, demand and externally led cost pressures and opportunities for efficiencies / savings for both revenue services and the capital programme over the medium term. The plan enables the gap between forecast funding levels and resource requirements to be identified over the medium term.

Detailed work is undertaken on an annual basis by Corporate Finance Team, in conjunction with the Chief Officer Team to build on the MTFP to enable a balanced revenue budget and capital programme which is approved by Authority for the following financial year.

Responsibilities of the Chief Finance Officer

- a) To prepare and submit reports on budget prospects for the Cabinet including resource constraints set by the Welsh Government
- b) To determine the detailed form of revenue estimates after consultation with the Cabinet and Chief Officers
- c) To prepare and submit reports to the Cabinet on the aggregate spending plans and resources available to fund them.
- d) To advise on the medium term implications of spending decisions
- e) To encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness
- f) To advise the Authority on proposals in accordance with responsibilities under section 151 of the Local Government Act 1972

Responsibilities of the Chief Officers

- a) To integrate financial and budget plans into service planning so that budget plans can be supported by financial and non financial performance measures
- b) To encourage the best use of resources and value for money by working with the Chief Finance Officer to identify opportunities to improve economy, efficiency and effectiveness.

3.3 Budgeting

3.3.1 Revenue Budget

Why is this important?

Budgetary control and monitoring procedures ensure that once the budget has been formally approved by the County Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year.

By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity.

Key Controls

The key controls for managing and controlling the revenue budget are:

- Budget managers should be responsible only for income and expenditure that they can influence
- There is a nominated budget manager for each cost centre heading and the responsibilities for budgetary control are clearly defined.
- Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- Budget managers follow an approved certification process for all expenditure
- Income and expenditure are properly recorded and accounted for
- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.
- An annual cycle is established to ensure budgets are promptly prepared

Responsibilities of the Chief Finance Officer

To ensure an appropriate framework of budgetary management and control that ensures that:

- a) A revenue budget is prepared on an annual basis, together with a revenue projection over the medium term, for consideration by the Cabinet, which will make recommendations to the Council. The Council is responsible for the approval of the revenue budget.
- b) A resource allocation process is developed and maintained for consideration by Members at each stage of the revenue budget process
- c) The revenue budget includes the proposed level of unallocated Council Fund reserves, proposed taxation levels and the proposed budgets for each Chief Officer and for central and corporate budget heads.
- d) Each Chief Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- e) Expenditure is committed only against an approved budget head
- f) Significant variances from approved budgets are investigated and reported by budget managers on a regular and timely basis.

Responsibilities of the Chief Officers

- a) To maintain budgetary control within their departments and ensure that all income and expenditure are properly recorded and accounted for.
- b) To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision making that commits expenditure
- c) Ensure that Managers and all staff understand their financial responsibilities.
- d) To prepare annual service plans linked to the improvement plan identifying any budgetary implications for inclusion in the Medium Term Financial Plan for Member consideration.
- e) To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and

taking appropriate corrective action where significant variations from the approved budget are forecast. Variances in excess of £50k should be reported with an explanation to the Chief Finance Officer.

- f) Prepare budget action plans where a significant overspend is forecast. The action plan should identify how expenditure will be brought back into line with budget, either by taking corrective action, or through the proposed use of compensating savings elsewhere in their budget.
- g) Report areas of forecast under spend, along with the implications for future years, for corporate consideration of where any available resources should be re-allocated. The use of budget savings other than in accordance with the approved budget is not permitted without Cabinet approval.
- h) Consult with the Chief Finance Officer and seek advice on further action to be taken before any commitments are incurred, where these are not covered by the Council's approved budget.
- i) Report significant variations from budget to the Chief Finance Officer, who will report the position and any budget actions plans in the overall budget monitoring report to Cabinet. In certain circumstances it may be that the significance of the variance requires a separate report to Cabinet for consideration or approval. The report will outline the reasons for the projected variance, the implications for future years' budgets, along with the budget action plan to bring expenditure in line with the budget.
- j) Budget action plans will be monitored by the relevant Chief Officer who will notify the Chief Finance Officer should it emerge that a budget action plan will fail to prevent an overspend. The Chief Finance Officer will report the position to Cabinet.
- k) In exceptional cases submit reports to the Cabinet and to the Authority, in consultation with Chief Finance Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control, requesting a supplementary budget allocation for the current financial year only.
- l) Nothing in the Financial Procedure Rules shall prevent expenditure being incurred which is essential to meet any immediate needs arising from an emergency, including any expenditure under Section 155 of the Local Government and Housing Act 1989 (Emergency Financial Assistance Scheme, formerly known as the "Belwin" scheme). Such action shall only be taken after consultation with the Chief Finance Officer, and any such expenditure must be reported retrospectively to the Cabinet, and the funding for such expenditure must be agreed as soon as possible.
- m) To ensure compliance with the scheme of virement.

3.3.2 Budget Virements/Accounting Adjustments

Why is this important?

Transfers between budgets is an integral and important feature of budgetary control for an organisation to ensure sound financial management.

In general terms there are two main types of budget transfers:-

1. Accounting Adjustments – this is where it is necessary to transfer a budget from one place to another to account properly for the relevant expenditure or income but where the approved purpose of that expenditure/income does not change from that approved by County Council. An example of this is the allocation of energy inflation which is held centrally and allocated to portfolio areas based on evidenced need.
2. Formal Virements – this is where there is an intended action to transfer budget from one place to another that does change the purpose of the expenditure/income approved by County Council. An example of this would be the transfer of an amount from Adult Social Services to Children’s Social Services to deal with a pressure in the Children’s Services area.

The Key Principles underpinning the control of budget transfers are as follows:

- Where Budget transfers relate to a change of use or policy they should be authorised and there should be formal evidence of this.
- Transferring budgets simply to minimise variances are specifically precluded.
- Where an approved budget is a lump sum provision or contingency intended for allocation during the year, its allocation will not be treated as a virement provided the amount is used in accordance with the purposes for which it was originally intended, or if Cabinet has approved the basis on which it will be allocated.

Formal Virements in excess of £75,000 should be submitted to Cabinet for Approval.

- Where there are policy implications for the Council which require a budget virement, Cabinet approval must be obtained.

Overall control of budget transfers is undertaken within the Strategy, Accounting and Systems team which tracks the movements as part of the budget monitoring process and also ensures that any virements that change the purpose of the funding are subject to the relevant approval.

The Corporate Finance Manager as Section 151 officer for the Council has a legal responsibility to ensure the proper management of the Councils financial affairs and

is content that the rules and procedures in place governing the virement of budget are adequate.

Key Controls

- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget
- Notification of virements should be given to the Chief Finance Officer and approved

Responsibilities of the Chief Finance Officer

- a) Ensure that budget virements in excess of £75,000 are submitted to Cabinet for approval.
- b) Where there are policy implications for the Council ensure that Cabinet approval is obtained where it is proposed to vire between budgets of different Cabinet Portfolio holders or vire between budgets managed by different Chief Officers.
- c) Where there are implications to the policy framework submit a joint report with the relevant Chief Officer.

Responsibilities of the Chief Officers

- a) To ensure compliance with the scheme of virement
- b) To agree with the relevant Chief Officer where it appears that a virement proposal may impact materially on another service area.

3.4 Capital Programmes

Why is this important?

Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the authority such as land, buildings and major items of plant, equipment and vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

Key Controls

The key controls for capital programmes are:

- Specific approval by the County Council for the programme of capital expenditure
- Expenditure on capital schemes is subject to the approval of the Chief Officer
- A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project

- Accountability for each proposal is accepted by a named manager
- Monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Chief Finance Officer

- To prepare capital estimates jointly with Chief Officers to report them to the Cabinet for approval.
- To be responsible for the monitoring of the capital programme in conjunction with the Chief Officer for Organisational Change.
- To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates on a quarterly basis. The report will identify changes in capital resources, including the generation of capital receipts and the effect of rollover together with quantifying contractually uncommitted values by scheme.
- To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the specified amount.
- To ensure that whole schemes, or distinct parts thereof, which are identified as slipping into the following financial year, shall be included in the Capital Programme assessments for the later year.
- Ensure that the approved Capital Programme includes information on grant funded schemes if appropriate.

Responsibilities of the Chief Officers

- To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer
- To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.
- To prepare regular reports reviewing the capital programme provisions for their services
- To ensure that adequate records are maintained for all capital contracts
- To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- To ensure that credit agreements such as leasing agreements are not entered into without the agreement of the Chief Finance Officer (via the Treasury

Management Team) and if applicable approval of the scheme through the capital programme.

- g) To ensure that for the purchase of all items which are not brand new that a Hire Purchase Information (HPI) check has been undertaken to ensure that there is no outstanding finance.

3.5 Maintenance of Reserves

Why is this important?

The local authority must decide the general level of reserves it wishes to maintain before it can decide the level of Council tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and therefore protect it from overspending should such events occur. Reserves for specific purposes may also be maintained such as the purchase or renewal of capital items.

Key Controls

To maintain reserves in accordance with the CIPFA Code of Practice and agreed accounting policies.

For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

Authorisation and expenditure from reserves by the appropriate Chief Officer in consultation with the Chief Finance Officer.

Responsibilities of the Chief Finance Officer

To advise the Cabinet and/or the full Council on prudent levels of reserves for the authority and to provide an annual statement as to the adequacy of the level of reserves held.

Responsibilities of the Chief Officers

To ensure that resources are used only for the purposes for which they were intended.

4. Risk Management and Control of Resources

4.1 Risk Management

Why is this important?

The Local Authority like any organisation faces risk to people, property and continued business operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the Authority and ensure the continued financial and organisation well being of the organisation. Risk management is concerned with evaluating the measures the Authority has in place to manage identified risks and recommending the course of action the organisation needs to take to control these risks effectively.

Risk Management is an integral part of the Council's Governance Framework and Internal Control. The Council has a Risk Management Strategy which outlines how the Authority manages risk corporately.

Key Controls

The key controls for risk management are:

- Procedures are in place to identify, assess, prevent or contain material known risks
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- Managers know that they are responsible for managing relevant risk and are provided with relevant information
- Provision is made for losses that might result from the risks that remain
- Procedures are in place to investigate claims within required timescales
- Acceptable levels of risk are determined and insured against where appropriate
- Business Continuity Plans are in place.

Responsibilities of the Chief Finance Officer

- a) To develop and implement risk management controls in conjunction with Chief Officers.
- b) To include all appropriate employees of the authority in a suitable fidelity guarantee insurance
- c) To effect corporate insurance cover, through external insurance and internal funding and negotiate all claims in consultation with other officers.

Responsibilities of the Chief Officers

- a) To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Chief Finance Officer for the Authority's insurers.
- b) To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers e.g. health and safety
- c) To implement the Risk Management Strategy and ensure a regular review of risks within the service they manage
- d) To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances
- e) To ensure that employees or anyone covered by the Authority's insurances do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- f) To ensure Business Continuity plans are in place and regularly reviewed

4.2 Internal Controls

Why is this important?

Overall responsibility for the control environment rests with the Authority as a whole. The Chief Officer Team is responsible for overseeing and monitoring the control environment.

Monitoring of compliance with policies, procedures, laws and regulations is undertaken by relevant key officers. The Chief Finance Officer and Monitoring Officer have statutory responsibilities. Chief Officers have responsibility for the development and maintenance of the internal control environment to ensure:

- The Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- Compliance with all applicable statutes and procedure rules, and other relevant statements of best practice.

Key Controls

The key controls and objectives for internal control systems are:

- Key controls should be reviewed on a regular basis
- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- An effective internal audit function that is properly resourced.

Responsibilities of the Chief Finance Officer

To assist the authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of the Chief Officers

- a) To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- b) To be responsible for having in place procedures to ensure that established controls are being adhered to and for evaluating their effectiveness. Chief Officers are required to periodically assess their systems of internal control to ensure that they are adequate to manage the risks associated with the service. They are also required to undertake such reviews when material changes are to be made either to structures or to working practices. This requirement applies equally to those arrangements in which the Authority has a partnership relationship with a third party.
- c) Assess, at least once a year, the effectiveness of the systems of internal control, in line with current Accounts & Audit (Wales) Regulations.
- d) Provide appropriate information to the Corporate Governance Working Group to enable the Annual Governance Statement to be included within the financial statements, as required.
- e) Review existing controls in the light of changes affecting the Authority and establish and implement new controls as necessary. Also remove controls that are unnecessary or not cost or risk effective – for example, because of duplication.

- f) Ensure that staff have a clear understanding of all procedures, and of the consequences of lack of control.

4.3 Audit Requirements – Internal Audit

Why is this important?

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972 and is required by the Accounts and Audit (Wales) Regulations 2005. The regulations state that 'a local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices'.

Internal audit is defined in the Public Sector Internal Audit Standards as:

'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'

Key Controls

The key controls for internal audit are:

- That it is independent in its planning and operation
- The Internal Audit Manager has direct access to the Head of Paid Services, the Monitoring Officer, External Audit and the Chair of the Audit Committee

Responsibilities of the Chief Finance Officer

To ensure that an effective Internal Audit function is resourced and maintained. Under s151 the local authority should 'make arrangements for the proper administration of their financial affairs'. Proper administration includes compliance with the statutory requirements for accounting and internal audit.

Responsibilities of the Chief Officers

Chief Officers will:

- (a) Ensure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

- (b) Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- (c) Consider and respond promptly to recommendations in audit reports.
- (d) Ensure that any agreed actions arising from audit recommendations are carried out timely and efficiently.
- (e) Ensure that whenever any matter arises which involves, or potentially involves, any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources, Internal Audit are notified and take any such other immediate action as considered necessary (subject to any Authority rules and protocols).
- (f) Internal Audit shall notify the Chief Officer Governance where appropriate, and take such action by way of investigation and report, including informing and consulting with the relevant Chief Officer, Chief Officer People and Resources, notifying the Head of Paid Service, the Police and/or the External Auditor, as considered appropriate. Pending investigations and reporting, the Chief Officer will take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- (g) Where sufficient evidence exists to believe that a criminal offence may have been committed, Internal Audit will consult with the Chief Officer People and Resources and Monitoring Officer and determine whether to refer the matter to the Police. The Police will determine with the Crown Prosecution Service whether any prosecution will take place. Where fraud, theft, improper use or misappropriation of the Authority's property or resources is proved, and the Authority has suffered a financial loss, the Authority will seek to recover the full value of any loss as outlined in the Corporate Anti-Fraud and Anti Corruption Strategy, Fraud Response Plan and Prosecution Policy.
- (h) Instigate the Authority's disciplinary procedure when the outcome of an audit investigation indicates improper behaviour (by a member of staff), or indicates that a wider investigation is appropriate.
- (i) Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation, to ensure that control issues are fully considered and complied with.

4.4 Security of Assets

Why is this important?

The Authority holds assets in the form of property, vehicles, equipment, furniture, and other items. It is important that assets are safeguarded and used efficiently in service delivery and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a pre-requisite for sound asset management.

Key Controls

The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- Resources are used only for the purposes of the authority and are properly accounted for
- Resources are available for use when required
- Resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits
- An asset register is maintained, assets are recorded when acquired and the record is updated as changes occur with respect to the location and condition of the asset
- All staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information including the requirements of the Data Protection Act and software copyright legislation
- All staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and the compliance with the authority's computer and internet security policies.

Responsibilities of the Chief Finance Officer

Ensure that an asset register is maintained in accordance with good practice for all fixed assets. The function of the asset register is to provide the authority with information about fixed assets so that they are safeguarded, used efficiently and effectively and adequately maintained.

To receive the information required for accounting, costing and financial records from each Chief Officer.

To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

Ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds.

Responsibilities of the Chief Officers

- a) Ensure that records and assets are properly maintained and securely held.
- b) The Chief Legal Officer, in consultation with the Chief Officer for Organisational Change, shall maintain a terrier of:
 - All lands and properties owned by the Authority (with the exception of dwellings provided under the Housing Acts) in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference, purchase details, particulars of all interests, tenancies granted and rents receivable.
 - All lands and properties leased to the Authority in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference and lease rental payment details.
- c) The corporate property function resides within the Organisational Change Portfolio, with property records maintained by Valuation and Estates Services in conjunction with Legal.
- d) The Chief Officers (Planning and Environment and Organisational Change) will arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer and, in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC).
- e) The Head of Legal Services shall have custody of all title deeds and will put in place secure arrangements for this.
- f) The Chief Officers (Planning and Environment and Organisational Change) shall maintain a record of all dwellings provided under the Housing Acts in a form agreed with the Chief Finance Officer.
- g) Chief Officers shall be responsible for maintaining proper security and confidentiality of all financial and related information in the Chief Officer's possession including complying with the requirements of the Authority's Information Security Policy, Data Protection Act, the Computer Misuse Act and any subsequent legislation.
- h) Chief Officers must ensure that:

- All staff are aware of their responsibilities with regard to safeguarding the Authority's assets and the protection and confidentiality of information, whether held in manual or computerised records, including the requirements of the Data Protection Act and software copyright legislation.
- All staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's computer, portable storage media acceptable usage, e-mail and internet security policies.
- Arrangements are in place for the proper security and safe custody of all buildings, vehicles, equipment, furniture, stock, stores and other assets under their control.
- Lessees and other prospective occupiers of authority land or buildings are not allowed to take possession or enter the land or building until a lease or legal agreement, in a form approved by the Chief Legal Officer in consultation with the Chief Finance Officer, has been established as appropriate.
- Where land or buildings are surplus to requirements, a recommendation for sale is the subject of a report by the Chief Officer, or where action is taken under delegated powers this is reported to the Cabinet.
- Each Chief Officer maintains a register of moveable assets and that assets are identified, their location recorded, and that they are appropriately marked and insured.
- Cash holdings on premises are kept to a minimum and shall not exceed such limit as the Chief Finance Officer may prescribe, and that the arrangements for such cash holdings have been agreed with Internal Audit. Each Chief Officer must, in consultation with the Chief Finance Officer ensure safe and efficient cover for cash in transit.
- Keys to safes and similar receptacles are carried in the possession of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible. All official keys of buildings, alarms and secure places shall be securely maintained at all times using a designated key tagging system by the individual responsible for their custody. If not held on the person of the individual responsible for their custody, they should be held under secure arrangements. The loss of any such keys shall be reported to the Chief Finance Officer immediately.
- Assets are only used in the course of the Authority's business, unless the Chief Officer concerned has given permission, in writing, for personal use by an employee.
- Records are kept of the disposal or part-exchange of assets. Such disposals should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Cabinet agrees otherwise.

- Inventories or other records are maintained, in a form approved by the Chief Finance Officer, of all vehicles, plant, equipment (including portable equipment such as FCC Laptops), machinery, protective clothing and such other items as the Chief Finance Officer may require for each location under the Chief Officer's control. Unless otherwise authorised in writing by the Chief Finance Officer, each inventory shall record, in respect of each item a brief description of the item, the serial number or other identifying mark (where applicable), particulars of acquisition (including details of ownership where applicable) and, in due course, particulars of disposal.
- An annual check of all items on the inventory is carried out in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority.
- There are arrangements for the care and custody of stocks and stores in the Portfolio. Each Chief Officer shall be responsible for the care and custody of all stocks and stores held in that Portfolio and shall account for their purchase, control, issue and return and disposal in a manner approved by the Chief Finance Officer.
- Items shall be held in stock only where ready availability or where purchase in bulk is more economical than purchase of individual items, having due regard to the storage and administration costs associated with each method. Stocks shall not exceed the level required to meet reasonable anticipated needs or to obtain the benefits of bulk purchasing, except in special circumstances in consultation with the Chief Finance Officer.
- Stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion, referring issues to Internal Audit, where appropriate.
- The Chief Finance Officer shall receive from the appropriate Chief Officer such information relating to stocks as the Chief Finance Officer may require for accounting or costing purposes, and shall require the appropriate Chief Officer to conduct, by persons other than the storekeeper, a complete stock-take at intervals of not more than one year together with one interim stock check.
- Sample checks are made of all actual stock holdings against recorded stock holdings. The checks should be such that all items of stock are included within the check at least once a year.
- Discrepancies are investigated and written off as necessary.

- i) Surplus, obsolete or defective items held in stock shall be disposed of at regular intervals not exceeding one year. Procedures for disposal of such stocks and equipment, including inventory items, should be by competitive quotations or auction, unless, following consultation with the Chief Finance Officer, the Cabinet decides otherwise in a particular case. Such write-offs or disposals will be reported to the Cabinet.
- j) When the Chief Officer considers it appropriate, the stock or inventory item may be offered to other Portfolio's or employees for the highest quotation received on a secret and competitive basis, or disposed of by public auction, or as scrap and disposal shall be certified in the stock records or inventory by the signature of the Chief Officer or other authorised Officer.
- k) The names of Officers authorised to certify such disposals shall be agreed with and notified to the Chief Finance Officer by each Chief Officer, who shall provide the Chief Finance Officer with the specimen signature and initials of each such authorised Officer and amendments as they may occur. Disposal of items by any other method shall be subject to prior written authority from the Chief Finance Officer.
- l) In the event that the Authority decides to become involved in the commercial exploitation of intellectual property e.g. software development, the matter should be agreed by the Cabinet.
- m) Whenever, in case of eviction, re-possession or similar circumstances, the Authority takes possession or custody of private moveable property, an itemised inventory shall be taken in the presence of two persons, one of whom shall be an Authority Officer or representative, who both shall witness it as a correct record.
- n) Each Chief Officer shall be responsible for ensuring safe custody and maintaining adequate records of lost property found on premises for which that Chief Officer is responsible. Unclaimed items shall be disposed of by the Chief Officer under arrangements approved by the Chief Finance Officer.
- o) Each Chief Officer will ensure that controls are in place to ensure that staff do not carry out private work in Authority time and that staff are aware of an employer's rights with regard to intellectual property. The Chief Officer People and Resources will ensure that this is reflected in the Authority's HR Policies.

- p) Every acquisition, disposal or transfer to another location shall be recorded immediately in the appropriate inventories.
- q) Ensure that income received for the disposal of an asset is properly banked and recorded.
- r) If any aspect of security is considered defective, or if special security arrangements are considered desirable, the Chief Officer concerned shall consult with the Chief Finance Officer with a view to remedial action.

4.5 Treasury Management

Why is this important?

Many millions of pounds pass through the authority's books each year. This has led to the establishment of codes of practices. These aim to provide assurances that the authority's money is managed in a way that balances risk with return with the overriding consideration being given to the security of the authority's capital sum.

Key Controls

That the authority's borrowing and investments comply with the CIPFA Code of Practice on Treasury Management and the authority's treasury policy statement.

The Authority nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Responsibilities of the Chief Finance Officer

- a) Maintain, as the cornerstones for effective treasury management:
 - A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- b) The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Authority. Such amendments will not result in the Authority materially deviating from the Code's key principles.

- c) Ensure that the Authority receives reports on its treasury management polices, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- d) Act in accordance with the Authority's policy statement and TMPs and CIPFA's Standard of Professional Practice in Treasury Management to ensure that the Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer,
- e) The Chief Finance Officer will operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Chief Finance Officer. Heads of Service will follow the instructions on banking issued by the Chief Finance Officer.
- f) The Chief Finance Officer will act as the Authority's registrar of stocks, bonds and mortgages and maintain records of all borrowing of money by the Authority.
- g) Criminal Injuries Compensation Awards will be put on deposit with the Authority's other investments and therefore form part of the Central Loans and Investment Account, thus attracting appropriate money market rates. Each award will be accounted for separately with interest being credited on an annual basis.

Responsibilities of the Chief Officers

- a) Arrange for all trust funds to be held, wherever possible, in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.
- b) Arrange where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and for the maintenance of written records of all transactions.
- c) Ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

4.6 Imprest Accounts

Responsibilities of the Chief Finance Officer

- a) Provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and prescribe rules for operating these accounts.
- b) Agree, in consultation with the relevant Chief Officer, the petty cash limit and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.
- c) Reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.
- d) Issue to Officers authorised to receive official money, such change floats as considered necessary, following consultation with the relevant Chief Officer, for the efficient performance of cash collection duties. Such a float shall not be used for any purpose other than the giving of change, and the Officer to whom it is issued shall be responsible at all times for its safe custody until such time as it is repaid to the Chief Finance Officer.
- e) The Chief Finance Officer may at any time require the authorised Officer to produce the float for inspection, to repay it or to sign a certificate of the amount held.
- f) Where considered appropriate the Chief Finance Officer shall open an account with the Authority's bankers or other approved agency.

Responsibilities of the Chief Officers

Ensure that employees operating an imprest account:

- (a) Obtain and retain receipts/invoices and vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained in order to ensure the correct recovery of VAT as per HM Revenue and Customs regulations.
- (b) Ensure reimbursement claims are signed by the claimant and one authorising signatory. Imprest controllers must ensure that two authorising signatories are obtained where there are no valid receipts/invoices to support the expenditure.
- (c) Make adequate arrangements for the safe custody of the account.
- (d) Produce upon demand by the Chief Finance Officer cash and all receipts/invoices and vouchers to the total value of the imprest amount.

- (e) Record transactions promptly.
- (f) Reconcile and balance the account at least monthly irrespective of the frequency of reimbursement claims. Reconciliation sheets are to be signed by the imprest holder and two authorising signatories and placed on file.
- (g) The Imprest holder shall not allow the account to become overdrawn. It shall be a standing instruction to the Authority's bankers or approved agency that the amount of any overdrawn balance on a Petty Cash Imprest holder's bank account be reported to the Chief Finance Officer.
- (h) Provide the Chief Finance Officer with a certificate of the value of the imprest account/float held at 31st March each year.
- (i) Ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (j) Ensure that payments are never made to individuals, contractors, consultants, casual staff or self-employed persons. The exceptions are where incentive bonus payments are made to service users in Social Services Day Opportunities and payments are made to residents from deputyship monies. Payments can be made from petty cash and then coded appropriately to the correct budget. In the case of deputyship, this is then reclaimed from personal monies.
- (k) Where emergency loans are made to service users, Officers will comply with the Monitoring and Recovery of Loans Procedure.
- (l) On leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance inform the Chief Finance Officer so that arrangements can be made to close the account or transfer to another authorised Officer.

4.7 Staffing

Why is this important?

In order to provide the highest level of service, it is crucial that the authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level

Key Controls

The key controls for staffing are:

- a) An appropriate staffing strategy and policy exists in which staffing requirements and budget allocations are matched
- b) Procedures are in place for forecasting staffing requirements and cost

- c) Controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority
- d) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy

The management of employee costs within schools is the responsibility of the governing body.

Responsibilities of the Chief Finance Officer

To act as an advisor on workforce related costs (e.g. pension contributions) as appropriate.

Responsibilities of the Chief Officers

The Chief Officer (People and Resources) will act as an advisor to a Chief Officer on HR policies.

Chief Officers will:

- (a) Ensure that budget provision exists for all existing and new employees.
- (b) Monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- (c) Ensure that the staffing budgets are not exceeded without due authority and that they are managed to enable the agreed level of service to be provided.
- (d) When reporting to the Cabinet or Authority on any matter which has, or is liable to have, staffing / HR implications, the Chief Officer shall, in consultation with the Chief Finance Officer and the Chief Officer (People and Resources), incorporate into the report both the staffing / HR and financial implications of the matter under discussion.
- (e) Maintain a register of interests, in which any hospitality or gifts accepted, must be recorded:
 - In compliance with the Flintshire County Authority Code of Conduct for Local Government Employees, no employee of the Authority shall accept any fee, gift or reward which is intended as, or might be construed as, an inducement to influence that employee in the execution of that employee's duties.
 - The offer of any such fee, gift or reward shall be reported immediately by the employee concerned to the appropriate Chief Officer, who shall in turn notify the Chief Finance Officer of the occurrence.

The Chief Officer People and Resources will ensure that this policy will be reflected in the HR Policies and other policies, as relevant, of the Authority.

5. Financial Systems and Procedures

5.1 General

Why is this important?

The information held in financial systems must be accurate and the systems and procedures well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

Key Controls

The key controls for systems and procedures are:

- a) Basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated
- b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis
- c) Early warning is provided of deviations from target, plans and budgets that require management attention
- d) Operating systems and procedures are secure

Responsibilities of the Chief Finance Officer

To make arrangements for the proper administration of the authority's financial affairs, including to:

- a) Issue advice, guidance and procedures for officers and others acting on the authority's behalf
- b) Determine the accounting systems, form of accounts and supporting financial records
- c) Establish arrangements for audit of the authority's financial affairs
- d) Approve any new financial systems to be introduced
- e) Approve any changes to be made to existing financial systems

Responsibilities of the Chief Officers

- a) To ensure that accounting records are properly maintained and held securely
- b) To ensure that vouchers and documents with financial implications are not destroyed except in accordance with arrangements approved by the Chief Finance Officer

- c) To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original documents and vice versa is maintained
- d) To incorporate appropriate controls to ensure where relevant that all input is genuine, complete, accurate, timely and no previous processed. All processing is carried out in an accurate, complete and timely manner and output from the system is complete, accurate and timely.
- e) To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice
- f) To ensure there is a documented and tested disaster recovery plan to allow for information system processing to resume quickly in the event of an interruption
- g) To ensure that systems are documented and staff trained in operations.
- h) To consult with the Chief Finance Officer before changing any existing system or introducing new systems
- i) To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations and showing the limits of their authority.
- j) To supply lists of authorised officers, with specimen signatures and delegated limits to the Chief Finance Officer and any subsequent variations
- k) To ensure that , where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation

5.2 Income and Expenditure

Why is this important?

Effective income collection systems are necessary to ensure that all income is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the authority's cashflow and avoids the time and cost of administering debts.

Key Controls

The key controls for income are:

- a) All income due to the Authority is identified and charged correctly, in accordance with the approved charging policy which is regularly reviewed
- b) All income is collected from the correct person at the right time using the correct procedures
- c) All money received by an employee on behalf of the authority is paid without delay to the Chief Finance Officer or as he or she directs to the Authority's bank account and properly recorded. The responsibility for cash collection should be separated from that of identifying the amount due and for reconciling the amount due to the amount received.

- d) Effective action is taken to pursue non-payment within defined timescales
- e) Formal approval for debt write-off is obtained
- f) Appropriate write-off action is taken within defined timescales
- g) Appropriate accounting adjustments are made following write-off action
- h) All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
- i) Money collected and deposited is reconciled to the back account by a person who is not involved in the collection or banking process.
- j) The Council's position on money laundering is contained within the Money Laundering Policy, which is available upon request from the Chief Finance Officer. Officers involved in the collection of income should make themselves aware of this policy and report suspected cases to the Chief Finance Officer. For this purpose, the Council cannot accept cash in excess of £5,000, although it is for individual officers to decide if, in specific instances, they should report incidents involving lesser amounts. In any situation requiring a sizeable refund the Officer involved should check the original type of lodgement.

Responsibilities of the Chief Finance Officer

- a) To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection
- b) Order, control and issue all receipts, invoices, tickets and other documents recording, acknowledging, or demanding the receipt of monies paid to the Council, except where the Chief Finance Officer has given written approval to alternative arrangements in specific instances.
- c) Agree the write-off of bad debts up to £5,000 in aggregate for each single domestic or business debtor, agree in consultation with Cabinet the write-off of bad debts over those amounts but up to £25,000 and refer for approval items for write-off in excess of £25,000 to the Cabinet. A record of all sums written off up to the approved limit is maintained to adhere to the requirements of the Accounts and Audit Regulations
- d) Make or approve secure and efficient arrangements for the recording of all income received by direct debit, standing order, debit and credit cards and such other methods of payment as the Council may approve
- e) To ensure that appropriate accounting adjustments are made following write-off action

Responsibilities of the Chief Officers

- a) Establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and review it at least annually, in consultation with the Chief Finance Officer. Where the Chief Officer considers that an existing charge should be discontinued, or an additional charge levied, the Chief Officer shall, after consultation with the Chief Finance Officer, make a recommendation to the Cabinet.
- b) To separate the responsibility for identifying amounts due and the responsibility for collection
- c) To initiate appropriate debt recovery procedures in accordance with the Corporate Debt policy
- d) To issue official receipts or to maintain other documentation for income collection
- e) To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- f) To lock away all income to safeguard against loss or theft and to ensure the security of cash handling
- g) To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received
- h) To ensure income is not used to cash personal cheques or other payments
- i) To supply the Chief Finance Officer with details relating to work done, good supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the authority and to ensure accounts are sent out promptly. If possible all invoices should be raised within 5 working days of the provision of goods or services or at the earliest opportunity.
- j) Have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- k) To recommend to the Chief Finance Officer all debts to be written off and keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled except by full payment or by its formal writing off.

- l) Ensure that levels of cash held on the premises do not exceed approved limits.
- m) Keep a record of every transfer of cash between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy. Every transfer of cash shall be made direct by hand and not through the internal or external post (unless by prior approval from the Chief Finance Officer).
- n) To obtain the approval of the Chief Finance Officer when writing off debts in excess of the approved limit and the approval of Cabinet where required.

5.3 Ordering and paying for work, goods and services

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the authorities' policies. The Authority has a statutory duty to achieve best value through economy and efficiency. The Authority's procedures should help ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the authority's Contract Standing Orders.

General

Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority in accordance with the appropriate codes of conduct.

Official orders must be submitted via the Purchase 2 Pay system. No retrospective orders should be placed. Official orders must be issued for all work, goods or services to be supplied to the authority except for supplies of utilities, periodic payments such as rents or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer.

Where possible income should be obtained in advance of supplying goods or services to improve the Council's cash flow, to avoid the time and cost of administering debts, and to reduce the risk of non-collection, particularly for low value items.

No invoices with a value of less than £40, with the exception of invoices relating to peppercorn rents, licenses or leases in connection with the occupation of council land or property shall be raised without the approval of the Chief Finance Officer.

Each order must conform to the guidelines approved by the full authority on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied with the prior approval of the Chief Finance Officer.

Apart from petty cash, schools own bank accounts and other payments in advance accounts, the normal method of payment from the authority shall be by cheque or other instrument or approved method drawn on the authority's bank account. The use of direct debit shall require the prior agreement of the Chief Finance Officer.

Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

Key Controls

The key controls for ordering and paying for work, goods and services are:

- a) All goods and services are ordered only by appropriate persons and are correctly recorded
- b) All goods and services shall be ordered in accordance with the authority's contract standing orders
- c) A written order shall be placed in advance of the relevant work, goods services or works being supplied. Where, due to urgent need, it is necessary to place a verbal, fax or e-mail order a written order shall be issued at the earliest opportunity and shall be clearly marked as being in confirmation of the verbal order.
- d) Goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
- e) Payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards
- f) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- g) All appropriate evidence of transaction and payment documents are retained and stored for the defined period in accordance with the document retention schedule.
- h) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions corrected.
- i) The effect of electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the Chief Finance Officer

- a) To ensure that all the authority's financial systems and procedures are sound and properly administered.
- b) All procurement activities (ordering or goods, services and works) will be undertaken on the Council's approved Purchase to Pay (P2P) system.

- c) To approve any changes to existing financial systems and to approve any new systems before they are introduced
- d) To approve the form of official orders and associated terms and conditions
- e) To make payments from the authority's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial procedure rules
- f) To make payments, whether or not provision exists within the estimates where the payment is specifically required by statute or is made under a court order
- g) To make payments to contractors on the certificate of the appropriate Chief Officers which must include details of the value of work, retention money, amounts previously certified and amounts now certified
- h) To provide advice and encouragement on making payments by the most economical means
- i) To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into accounts in budget monitoring reports.

Responsibilities of the Chief Officers

- a) To ensure that official orders are used for all goods and services other than the exceptions for supplies of utilities, rent, rates, petty cash purchases and any other exemptions specified by the Chief Finance Officer.
- b) To ensure that orders are only used for goods and services provided to the Portfolio. Individuals must not use official orders to obtain goods or services for their private use
- c) To ensure that only those staff authorised by the Chief Officer sign orders and to maintain an up to date list of such authorised staff including specimen signatures identifying in each case the limits of their authority. The list should be reviewed annually. Names of authorising Officers together and details of the limits of their authority shall be forwarded to the Chief Finance Officer and any subsequent amendments incorporated into the P2P system
- d) The authoriser of the order should be satisfied that the goods and services ordered are appropriate and that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the authority's approach to procurements. Value for money should always be achieved.

- e) To ensure that all expenditure, including VAT, is accurately recorded against the correct budget head and any exceptions are corrected. If it is deemed that a budget amount has been incorrectly allocated, a Chief Officer will request a journal adjustment. Under no circumstances will the expenditure be incorrectly coded in order to match the expenditure with an incorrect budget allocation.
- f) Each Chief Officer shall be responsible for all orders issued from, or on behalf of, his or her Portfolio. Where one Chief Officer places an order on behalf of another, that Chief Officer shall obtain the latter's consent in advance.
- g) To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should where possible be carried out by a different officer from the person who authorised the order.
- h) To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment confirming:
- Receipt of goods or services
 - That the invoice has not been previously paid
 - That expenditure has been properly incurred and is within budget provision
 - That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
 - Correct accounting treatment of tax
 - That discounts have been taken where available
 - That appropriate entries will be made in accounting records
- f) To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- g) To ensure that the Portfolio maintains and reviews periodically a list of staff approved to authorise the invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Chief Finance Officer
- h) To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice
- i) To encourage suppliers of goods and services to receive payments by the most economical means for the authority. Payments made by direct debit must have the prior approval of the Chief Finance Officer.
- j) To ensure that the directorate obtains the best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality with regard to best value principles and contract standing orders

- k) To ensure that loans, leasing or rental arrangements are not entered into without prior agreements from the Chief Finance Officer.
- l) To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.
- m) To notify the Chief Finance Officer immediately of any expenditure incurred as a result of statute/court order where there is no budgetary provision
- n) To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the document retention schedule.
- i) For purchases made electronically over the Internet (not including P2P transactions) the Officer will:
 - Ensure that the transaction has been authorised and evidence obtained.
 - Ensure that there are no corporate purchasing arrangements that allow the goods or services to be purchased more competitively.
 - Provide proof that the goods have been received and are in the custody of the Council.
 - Ensure that payment is only made using a Corporate Purchasing Card.

5.4 Payments to employees and members

Why is this important?

Staff costs are the largest item of expenditure for most authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and that payments accord with individuals' conditions of employment. It is important that all members' allowances are authorised in accordance with the scheme adopted by the full council.

Key Controls

The key controls for payments to employees and members are:

- a) Proper authorisation procedures are in place and that there are corporate timetables in relation to starter, leavers and variations
- b) Frequent reconciliation of payroll expenditure against approved budget and bank account

- c) All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
- d) That Inland Revenue regulations are complied with
- e) All claims for payment of financial loss, attendance, travelling, subsistence and car allowances, and other incidental expenses paid for by the claimant, shall be completed and signed by the claimant in a form approved by the Chief Finance Officer or Chief Officer (People and Resources) as appropriate. With the introduction of the iTrent system, employees will be able to submit expenses via Employee Self Service. Managers will authorise expenses via the iTrent system.

Responsibilities of the Chief Finance Officer

The Chief Finance Officer or Chief Officer (People and Resources) as appropriate will:

- (a) Arrange and control secure and reliable payment of salaries, wages, pensions, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- (b) Record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- (c) Make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- (d) Make arrangements for paying Members' under the Members Allowances Scheme and the Members Travel and Subsistence Scheme, which will be maintained by the Chief Finance Officer or Chief Officer (People and Resources) as appropriate.
- (e) Ensure that there are adequate arrangements for administering pension scheme matters on a day-to-day basis.

Responsibilities of the Chief Officers

- a) To provide the Chief Finance Officer or Chief Officer (People and Resources) as appropriate in writing with the names of Officers authorised to certify claims for expenses together with the specimen signature and initials of each such authorised Officer, and any amendments on the occasion of any change. Certification of a claim by, or on behalf of, a Chief Officer shall signify that the certifying Officer is satisfied that the journeys were authorised, that the expenses were necessarily incurred in the performance of duty, that the allowances are properly payable by the Council, and that cost-effective travel arrangements are achieved

- b) To ensure that claims are submitted to the Chief Finance Officer or Chief Officer (People and Resources) as appropriate for payment within the specified timescale. Ensure appointments are made in accordance with the Procedure Rules of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- c) Notify the Chief Finance Officer or Chief Officer (People and Resources) as appropriate of all appointments, terminations (resignations, dismissals) or variations (secondments, transfers, absences from duty through sickness or other reasons apart from approved leave, changes in remuneration, other than normal increments and pay awards and agreements of general application) which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Finance Officer or Chief Officer (People and Resources) as appropriate
- d) Ensure that adequate and effective systems and procedures are operated in a form approved by the Chief Officer (People and Resources), so that payments are only authorised to bona fide employees:
- Payments are only made where there is a valid entitlement.
 - Conditions and contracts of employment are correctly applied.
 - Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- e) Provide information necessary to maintain records of service for superannuation, income tax, national insurance or other statutory obligations.
- f) Ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Chief Officer (People and Resources).
- g) Ensure that the Chief Officer (People and Resources) is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- h) In conjunction with the Chief Officer (People and Resources), maintain an up to date establishment structure and adhere to the Establishment Control Maintenance Process.

- i) The Chief Officer (People and Resources) will be responsible for recovering payroll overpayments where the employee continues to have employment with the Council and where the overpayment is £750 or less. A repayment schedule, ensuring repayment is made within the same financial year as the overpayment, will be formally agreed with the employee.
- j) For all payroll overpayments in excess of £500, irrespective of employment status, recovery of the overpayment will be the responsibility of Debt Recovery, ensuring that such overpayments are included within the Council's total debt.
- k) All pay documents shall be, in a manner prescribed by the Chief Officer (People and Resources), certified manually by or on behalf of the appropriate Chief Officer. The names of Officers authorised to certify such documents shall be agreed with, and notified in writing to the Chief Officer (People and Resources) by each Chief Officer, who shall provide the Chief Finance Officer with the specimen signature and initials of each such authorised Officer and any amendments on the occasion they arise.
- l) Chief Officers and the Chief Officer (People and Resources) will ensure that all appropriate payroll documents are retained and stored, as required, by the Chief Officer (People and Resources).
- m) No cheque made payable to a Member or Employee will be cashed by the Council, unless it is under a scheme approved by the Chief Finance Officer and is presented by the person named on the cheque, and duly endorsed.
- n) Members will submit claims for travel and subsistence on a monthly basis.

5.5 Taxation

Why is this important?

The Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important that all officers are made aware of their role.

Key Controls

The key controls for taxation are:

- a) Budget managers are provided with the relevant information and kept up to date on tax issues

- b) Budget managers are instructed on required record keeping
- c) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- d) Records are maintained in accordance with instructions
- e) Returns are made to the appropriate authorities within the stipulated timescale

Responsibilities of the Chief Finance Officer

- a) The Chief Finance Officer and / or Chief Officer People and Resources (as appropriate as described below) is responsible for advising Chief Officers and Heads of Service, on all taxation issues that affect the Council.
- b) The Chief Finance Officer or Chief Officer People and Resources as appropriate is responsible for maintaining the Council's tax records, making tax payments, receiving tax credits and submitting tax returns by their due date.
- c) Complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- d) Be responsible for accounting to the appropriate agency for other forms of taxation payable to or by the Council and for supplying to such agencies such other information as they may validly require.
- e) Provide details to HM Revenue and Customs regarding the construction industry tax deduction scheme.
- f) Maintain up-to-date guidance for each Chief Officer on their responsibilities in regard to any taxation matters, and to individual Council employees on taxation issues.
- g) The Chief Officer People and Resources, with guidance from the Chief Finance Officer, will:
 - Account to HM Revenue and Customs for all tax deducted from employees' emoluments under the PAYE arrangements.
 - Maintain up-to-date guidance for Chief Officers on their responsibilities in regard to taxation matters relating to Payroll, and inform Council employees of taxation issues arising within Payroll.

h) The Chief Finance Officer or Chief Officer People and Resources as appropriate may require from any employee of the Council such information as is necessary for fulfilment of their obligation under this Financial Procedure Rule.

Responsibilities of the Chief Officers

- (a) Ensure that for any purchase which is taxable under current VAT legislation, payment will only be made on receipt of a proper invoice complying with the VAT regulations. The only exceptions are where an invoice is properly issued by the supplier on receipt of payment or where the use of authenticated VAT receipts has been agreed with the supplier.
- (b) Ensure that the correct VAT liability is attributed to all income due and that the recovery of VAT on purchases, including those paid for via an imprest account or corporate card, complies with HM Revenue and Customs regulations.
- (c) Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- (d) Ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- (e) Follow the guidance on taxation issued by the Chief Finance Officer or Chief Officer People and Resources such as the "Tax Management: Corporate Policy Statement"; in the "VAT Manual" and in taxation updates issued periodically.
- (f) Seek advice from the Chief Finance Officer or Chief Officer People and Resources as appropriate on VAT, or other tax implications, when entering into partnerships and other joint working arrangements.

5.6 Trading Accounts and Business Units

Why is this important?

Trading accounts and business units will become more important as services develop a more commercial culture. Authorities are required to keep trading accounts for services provided on a basis other than a straightforward recharge of cost.

Responsibilities of the Chief Finance Officer

To advise on the establishment and operation of trading accounts and business units.

Responsibilities of the Chief Officers

- a) To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract exceeds the remaining life of their main contract with the authority
- b) To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs is charged to produce an annual report in support of the final accounts.
- c) To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units
- d) To ensure that each business unit prepares an annual business plan

6. External Arrangements

6.1 Partnerships

Why is this important?

Partnerships play a key role in delivering community strategies and in helping to promote and improve the well being of an area. The Local Authority can still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders and deliver a shared vision of services based on user wishes.

Local Authorities mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local Authorities are measured by what they achieve in partnership with others.

Key Controls

The key controls for authority partners are:

- a) If appropriate to be aware of their responsibilities under the authority's financial regulations and contract standing orders
- b) To ensure that risk management processes are in place to identify and assess all known risks
- c) To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- d) To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences

- e) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution

General

- a) Both the Council and the Cabinet are responsible for approving delegations, including frameworks for partnerships and joint ventures. The Cabinet is the focus for forming partnerships and joint ventures with other local public, private, voluntary and community sector organisations to address local needs.
- b) Both the Council and the Cabinet can delegate functions – including those relating to partnerships – to Officers. These are set out in the Scheme of Delegation that forms part of the Council’s Constitution. Where functions are delegated the Officers remain accountable for them to the Council and the Cabinet as appropriate.
- c) The Head of Paid Service or other nominated Officers will represent the Council on partnerships and external bodies, in accordance with decisions of the Council/Cabinet or otherwise as authorised by the Head of Paid Service

Responsibilities of the Chief Finance Officer

- a) Be responsible for (with the Monitoring Officer) for encouraging the same high standards of conduct (with regard to financial administration and other matters, respectively) in partnerships and joint ventures that apply throughout the Council insofar as the constitutions of respective organisations permit them to do so.
- b) Ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are appropriate. He or she, in consultation with the Monitoring Officer, must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies, ensuring that the risks have been fully appraised before agreements are entered into.
- c) Advise on the key elements of funding a project, including:
- An options appraisal scheme for financial viability.
 - Risk appraisal and management.
 - Resourcing, including taxation and pension issues.
 - Audit, security and control requirements.
 - Carry-forward arrangements.
- d) Ensure that the accounting arrangements are appropriate.

Responsibilities of the Chief Officers

- a) To be responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies. (The Monitoring Officer will advise on legal matters)
- b) Maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.
- c) Ensure that, before entering into agreements with external bodies, a risk management and options appraisal has been prepared for the Cabinet, in consultation with the Chief Finance Officer and Monitoring Officer.
- d) Ensure that all agreements and arrangements are properly documented.
- e) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Council's Statement of Accounts concerning material items.
- f) Ensure that the project progresses in accordance with the agreed plan and that all expenditure is properly incurred and recorded.
- g) Ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the Chief Finance Officer.
- h) Seek advice from the Chief Finance Officer or Chief Officer People and Resources as appropriate on VAT, or other tax implications, when entering into partnerships.

6.2 External Funding

Why is this important?

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers.

Key Controls

The key controls for external funding are:

- a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- b) To ensure that funds are acquired only to meet the priorities approved in the policy framework by the full council.
- c) To ensure that any match funding requirements are given due consideration prior to entering into long term agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

- (a) Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- (b) Ensure that audit requirements are met.
- (c) Ensure that match funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Officers

- a) Ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- b) Ensure that funds are acquired only to meet the priorities approved by the Council in the policy framework.
- c) Ensure that any match-funding requirements are given due consideration and that future revenue budgets reflect these requirements, before entering into long-term agreements.
- d) Ensure that all claims for funds are made by the due date.

- e) Ensure that proposals are costed properly and that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- f) Ensure that contracts are drawn up and maintain a register of all contracts entered into with third parties.
- g) Ensure that all grant income and associated information is logged on the Corporate Grant Register and adhere to the requirements of the Grant Manual.
- h) Ensure that appropriate insurance arrangements are made, via the Chief Finance Officer.
- i) Ensure that, as far as possible, the Council is not put at risk from any bad debts.
- j) Ensure that no contract is subsidised by the Council.
- k) Ensure that such contracts do not impact adversely upon the services provided for the Council.
- l) Have in place an exit strategy to implement when the funding ceases. This strategy must allow for all costs associated with the winding up, including any costs arising because staff have gained employment rights, being met from within the externally provided monies and, therefore, at no additional cost to the Council. If the terms of the external funding do not allow such costs to be met from it, then they must be met from within the base budget of the Portfolio concerned.
- m) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.
- n) Ensure that all grant income is coded, in the first instance, to the appropriate balance sheet code in order to avoid double counting the overall income and expenditure of the Council.

Other Funds

Why is this important?

The Council will not as a general rule supervise the financial administration of, nor audit, unofficial funds, and accepts no liability whatsoever for any loss however caused. Unofficial funds are defined as those which are not the property of the Council, for example school monies collected by schools for school trips and monies held in Amenities Funds in Social Services establishments. Those operating such funds, therefore, have an overall responsibility to ensure that proper financial stewardship is observed.

Key Controls

- (a) A Treasurer and independent auditor are formally appointed.
- (b) Proper rules are operated to secure adequate standards.
- (c) Adequate records and procedures are maintained.
- (d) Regular reports on fund transactions and balances are received and checked against bank statements.
- (e) Annual statements of income and expenditure and fund balances are prepared and audited on a timely basis.

General

The School Fund Regulations, 2013 must be followed for the operation of all school funds in Flintshire Schools.

Responsibilities of the Chief Finance Officer

Prepare the note to be entered into the Statement of Accounts.

Responsibilities of the Chief Officers

Those operating or intending to operate unofficial funds are also required to:

- (a) Notify the Chief Finance Officer of details of the fund as soon as it is set up.
- (b) Provide an independent audit certificate for the fund on an annual basis.
- (c) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.

Protection of Clients Assets

Why is this important?

Where the Council is appointed as a Deputy for a Client by the Office of the Public Guardian (OPG), the Chief Officer will ensure that all OPG regulations and guidelines are complied with.

Where the Council is approved by the Department for Work and Pensions (DWP) to act as a Corporate Appointee for a Client, Chief Officers will ensure that all guidelines provided by the DWP are complied with.

Key Controls

Responsibilities of the Chief Officers

Heads of Service will ensure that a separate bank account is arranged for each Client, with the bank account reconciled on a regular basis, at least monthly.

Every transfer of clients monies from one Officer to another shall be recorded immediately in a manner approved by the Chief Finance Officer and shall be evidenced by the signature of the receiving Officer.

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| GLOSSARY OF FINANCIAL TERMS | |
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| Aggregate External Finance (AEF) | Aggregate external finance (AEF) represents the support for local revenue spending from the Welsh Government and is made up of formula grant. Formula grant includes the revenue support grant (RSG), and the distributable part of non-domestic rates (NDR). Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement. |
| Annual Report & Accounts | The document that contains a summary of the purpose of the local authority, its activities and performance for the year, as well as the annual accounts. |
| Anti Canvassing | A declaration that a supplier, provider or contractor has not been party to canvassing or lobbying Council staff or Members either directly or indirectly to gain preferential treatment in competitive tendering processes. |
| Anti Collusive | A declaration that a supplier, provider or contractor has not been party to possibly fraudulent arrangements between two or more of them whereby prices or service requirements are manipulated to get round competitive tendering. |
| Assets | Any item of value owned by an entity (e.g. buildings, vehicles). Assets can be classed as Non-current or capital assets where the asset has a useful life of more than one year (e.g. buildings, vehicles), or a current asset which includes cash or other assets which can reasonably be expected to be converted to cash in the normal course of business including stocks, debtors etc. |
| Audit Certificate | The document that contains the opinion of the external auditor regarding an organisation's accounts, systems and standards. |
| Audit Committee | Audit Committees monitor and review the risk, control and governance processes that have been established in an organisation and the associated assurance processes to ensure that internal control systems are effective and that activities are within the law and governing regulations. This is done through a process of constructive challenge. |
| Audit Plan | Internal audit identification of the work that they intend carrying out over the audit planning period (up to a year) and the resources needed for that work. |
| Barnett Formula | The formula used to allocate a population based share of changes in planned expenditure on comparable services by Departments of the UK Government to the devolved administrations of Wales, Scotland and Northern Ireland. The Barnett Formula calculates the size of change to the assigned budget rather than the total assigned budget. |
| Benchmarking | A method for councils to work out how well they are doing, by comparing their performance with other, similar councils, and with performance indicators. |
| Best value | A statutory duty owed by local authorities to their local community, requiring them to make continuous improvements in the way they carry out their functions having regard to a combination of economy, efficiency and effectiveness. |
| Block Grant | The Block Grant is the sum of money voted by parliament to the |

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| | Secretary of State for Wales. It constitutes the assigned element of the Welsh Governments' Departmental Expenditure Limit and is calculated from the existing baseline using the Barnett Formula. |
| Budget | A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them. |
| Budget Book | The publication in which the Council sets out its budget for a particular financial year. |
| Budget Head | For a particular service activity, the level of detail at which revenue or capital budgets are approved by the Council, whether in the Budget Book, the latest approved capital programme or as a result of supplementary estimates approved for the budget year. |
| Budgetary Control | The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the Council are not over or under spent. This process is aided by the use of budget profiles. |
| Capital Programme | The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme. |
| Capital Charges | A calculation of the annual costs, included within the revenue accounts of using capital assets. This includes, where appropriate depreciation. |
| Capital Expenditure | Spending on non-current assets (buildings, equipment and land) intended to benefit future accounting periods or spending that increases the capacity, economy, efficiency or lifespan of an existing asset. |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| Code of Corporate Governance | The part of the Council's constitution which sets out the systems and processes, and cultures and values necessary for achieving and demonstrating good corporate governance. |
| Codes of Conduct | The protocols within which Members and Officers will work as set out in the Constitution. |
| Codes of Practice | Guidance issued by professional bodies in relation to standards which are not regulated by statute, or by the Council itself. |
| Collaborative Arrangement | A contract or agreement established in conjunction with one or more other organisations. |
| Collaboration/ Consortium | The process of procurement shared between different Councils or other public sector organisations. |
| Construction Industry Scheme 2007 | Legislation designed to ensure that all payments to contractors are made in accordance with HMRC legislation. |
| Consultant | A person (not an employee), agency or firm engaged for a limited period of time on a fee basis to carry out a specific task or tasks. A consultant provides subject matter expertise and/or experience to the Council either because it does not possess the skills or resource in-house or which requires an independent evaluation/assessment to be |

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| | made |
| Contract | An agreement to be supplied with goods, works, services or supplies on mutually agreed and binding terms, often in writing. |
| Contractor/ Supplier/ Provider | The successful 'other party' with whom a contract is formed to provide the specified requirement. |
| Corporate Contracts | A contract which has been procured by Flintshire County Council or a Consortium for the potential use of, and on behalf of, the whole of Flintshire. |
| Corporate Governance | The system by which organisations are directed and controlled. The framework that ensures that an organisation fulfils its overall purpose, achieves its intended outcomes for residents of Flintshire and service users, and operates in an effective, efficient and ethical manner. |
| Council Fund | The fund to which all the Council's revenue expenditure is charged |
| Council Tax | A local tax based on the capital value of residential properties. |
| Council Tax Base | The estimated number of chargeable properties, expressed as the equivalent number of 'Band D' properties in the Council's area. The Council is required to annually advise the Welsh Government of its Council Tax Base (as at 31 st October), which they use in the Local Government Financial Settlement, and to allow the County Council, North Wales Police Authority and Town / Community Councils to calculate the following year's Council Tax charges. |
| Council's Constitution | The Constitution sets out how Flintshire County Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people. |
| Council's Monitoring Officer | The Officer designated by the Council as its Statutory Monitoring Officer. |
| Creditors | A person or body to whom the Council owes money. |
| Debtors | A person or body who owes the Council money. The debt may derive from a number of sources such as Council Tax or rent arrears, rechargeable works or where an account has been rendered for a service provided by the Council. |
| E procurement | The effective use of ICT to communicate and transact Council business with suppliers etc. |
| E tender | The effective use of ICT to undertake tenders. |
| Estimated Outturn | Estimates of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date. |
| External Audit | External auditors provide an independent check that the annual accounts of a body properly reflect the financial year, funds were spent in accordance with relevant regulations or directions, and that the body achieves the best possible value for public money. External audit may also carry out value for money or other reviews of services. |
| Financial Regulations | That part of the Council's Constitution which provides an approved framework for the proper financial management of the authority. |
| Financial year | The period of twelve months commencing on 1 April |
| Framework Agreements | An arrangement under which a contracting Authority establishes with a provider of goods, works or services, the terms under which contracts subsequently can be entered into, or 'called-off' (within the limits of the |

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| | agreement) when particular needs arise. |
| Fraud | Fraud is an intentional deception made for personal gain or to damage another individual. Good internal controls and governance arrangements are essential to minimise the risk of fraud. When council suffer fraud or theft it is often the case that the perpetrator has prepared false documents to disguise or to cover up the theft or fraud. In many cases the false documents include invoices and minutes |
| Goods | Tangible, moveable commodities (e.g. furniture and equipment etc) |
| Housing Revenue Account | The Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the council fund and trading accounts and is funded primarily from rents and government subsidy. Rent increases and the Housing Revenue Account Subsidy (HRAS) are approved annually under Standing Order 29, by the Welsh Government, through the <i>(Wales) General Determination of the Item 8 Credit and Item 8 Debit</i> and the <i>Housing Revenue Account Subsidy (Wales) Determination</i> . |
| Hypothecated Funding | Ring-fenced funding, which must be spent on particular services or initiatives |
| Indicator Based Assessments (IBAs) | Service specific Indicator Based Assessments (IBAs) are combined to generate total Standard Spending Assessments (SSAs, see further on) which are used by the Welsh Government to distribute the Revenue Support Grant funding to Local Authorities. IBAs are for use in calculating total SSAs and are not intended for use in determining individual authorities' budgeted expenditure on particular services. |
| Investment Income | Income form interest receipts on investments held by the council |
| Indemnity | Protection against future loss, or legal exemption from liability for damages |
| Insurance | Insurance is one of the ways that the councils manage the risk of losses |
| Internal Audit | Internal audit provides an objective appraisal service within an organisation, to improve the organisation's risk management, control and governance procedures, and to provide assurance to the accountable officer and the audit committee on these matters. |
| Internal control | The systems an organisation has in place to manage and mitigate risk. |
| Inventory | A detailed listing of all goods, materials, furniture and equipment in the ownership or use of a particular service, other than those held in stocks and stores records. They are also subject to periodic physical checks. Inventories are normally maintained in sufficient detail as to description, location, age, value etc. to enable any material loss arising from a fire, theft or other event to be identified and to support any insurance claim. |
| Land Terrier | Records of land owned by the Council |
| Liabilities | Items that are owed by the entity such as loans, leases, etc. |
| Liquidated Damages | A prior estimate of a justifiable financial loss in the event of a failure to complete by the specified date(s). |
| Materiality | An expression of the relative significance of a particular matter in the context of the financial statements as a whole |

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| Members Allowances | A scheme of payments to elected Members of the Council in recognition of their duties and responsibilities in accordance with the relevant Regulations. |
| Medium Term Financial Strategy | The approved strategic process by which the council expects to finance its activities in the medium term. |
| Outturn | Expenditure actually incurred |
| Overspend | When referring to expenditure the actual expenditure incurred is greater than the budget. Shown as a +ve When referring to income the actual income achieved is less than the budget. Shown as a +ve. |
| PAYE | Tax deductions from salaries and wages payments made by the Council in accordance with HMRC legislation. |
| Petty Cash/Imprest Account | A small amount of cash kept on hand by a service for incidental expenses |
| Precept | This is the Council Tax collected by the Council on behalf of the Community Councils and the North Wales Police Authority |
| Procurement | Procurement is the process of obtaining supplies, services and works spanning the life cycle of the asset or service contract. It has a wider meaning than traditional terms such as purchasing, buying or commissioning. It is about securing services and products which best meet the needs of all stakeholders; anyone who can or might be affected by the services and products involved. |
| Reserves | These are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer. |
| Revenue | A term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes however charges for the repayment of debt, including interest, and may include direct financing of capital expenditure. |
| Revenue Support Grant (RSG) | <p>The Revenue Support Grant (RSG) represents the major element in the support for local revenue spending that the Council receives from the Welsh Government, as required by section 78(1) of the <i>Local Government Finance Act 1988</i>. Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement, and form a part of the Aggregate External Finance (AEF).</p> <p>The objective of the revenue support grant system is to enable authorities to provide a common level of service consistent with an aggregate figure of total standard spending (as assessed by Welsh Government using Standard Spending Assessments, see below). Its aim is to compensate for differences in the levels at which authorities need to spend and at which they can raise council tax in order to provide a common level of service. This objective is met by calculating the revenue support grant for each authority as the difference between its standard spending assessment and the sum of its re-distributed non-domestic rate income and council tax (as calculated by the Welsh Government for standard spending purposes.)</p> |

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| Risk Management | A planned and systematic approach, involving culture, structure and processes, to provide assurance that the Council's significant risks are identified, evaluated and managed effectively |
| Risk Management Policy | An agreed policy which sets out how and why the Council will manage risk of all types across all of its activities |
| Scheme of Delegation | The framework by which budgetary control and financial monitoring are exercised at a local level. |
| Section 151 Officer | Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. In Flintshire, this responsibility is vested in the Head of Finance. |
| Select List | A list of suitably qualified contractors, suppliers or providers that has been drawn up and assessed through an advertising and short-listing exercise for a particular contract or procurement activity. |
| Services | Intangible commodities (e.g. agency staff, consultants etc). It can also mean support to individuals or groups. |
| Standard Spending Assessments (SSAs) | <p>Standard Spending Assessments (SSAs) are notional assessments of each council's need to spend on revenue services, calculated each year by the Welsh Government for use in the distribution of the Revenue Support Grant (RSG). SSAs are calculated prior to the year to which they relate using principles established by the Welsh Government, which encompass the demographic, physical and social characteristics of each area, as reflected by a range of indicators. SSAs include the need to spend on the current element of revenue expenditure and the need to spend on the capital charges element of revenue expenditure. The distribution of the current element between local authorities is based on the distribution of, such as pupil numbers, population and measures of deprivation and rurality. The distribution of the capital charges element between local authorities is based on the latest available credit ceiling figure for each authority (which is essentially the level of unpaid debt) together with estimates of how this will change in the year to which the SSAs relate.</p> <p>SSAs are intended to reflect variations in the need to spend which might be expected if all authorities responded in a similar way to the demand for services in their area, and as this is the mechanism for distributing the RSG to local authorities this would enable all authorities in Wales to charge the same level of council tax for the provision of a similar standard of service.</p> <p>An authority's SSA is derived as a funding mechanism to distribute the RSG, it is not and should not be viewed as a target level of expenditure for an authority. The RSG funding is unhypothecated, SSAs are not meant to be prescriptive in any way, and therefore authorities will spend at levels above and below their SSA according to decisions that have been made locally.</p> |
| Statement of | The Statement of Accounts provides details of the Council's financial |

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| Accounts | <p>position over the previous financial year. Its purpose is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances. Statements of Accounts across all local authorities should reflect a common pattern of presentation, although this does not require them to be in an identical format.</p> <p>The Statement of Accounts is produced in accordance with the requirements of the Code of Practice on Local Authority Accounting in the UK (the code). The code is updated annually and in 2010/11 the code was based on International Financial Reporting Standards (IFRS) issued by CIPFA for the first time.</p> |
| Sub-contractors | A subcontractor is a legal person appointed by a contractor to get the contract, part of the contract or any section of the contract assigned to him to be executed. |
| Supplies | Consumables (e.g. paper, stationery, foodstuffs etc). |
| Tender List | Drawn from a previously determined select list, the list of suppliers, providers or contractors actually invited to tender |
| Tenderer | A potential supplier or provider or contractor. |
| Third Sector | Third Sector Organisations are key partners in the delivery of services on behalf of the people of Flintshire |
| Treasury Management | The management of the authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks. |
| Treasury Management Strategy | The strategy for the Treasury Management activities to be adopted for a particular financial year. The strategy needs to be flexible enough to allow the Head of Finance to respond appropriately to changing circumstances during the course of the year to the best advantage of the Council. |
| Underspend | When referring to expenditure the actual expenditure incurred is less than the budget. Shown as a –ve. When referring to income the actual income achieved exceeds the budget. Shown as a -ve. |
| Unhypothecated Funding | Funding allocated without restrictions on how it should be spent. |
| Unhypothecated Supported Borrowing | A source of funding from the Welsh Government to finance general capital expenditure. Allocations are issued annually to each local authority as part of the Local Government Financial Settlement. The Welsh Government includes an element within the Revenue Support Grant to fund the cumulative costs of this borrowing that is classed as supported borrowing. |
| Unsupported (Prudential) Borrowing | Borrowing to fund capital expenditure which exceeds Welsh Government support in the Revenue Support Grant. Councils can choose to fund capital expenditure through Unsupported (Prudential) Borrowing so long as they demonstrate that borrowing is prudent, sustainable and affordable, as the ongoing revenue costs of unsupported borrowing will still need to be met from available |

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| | resources. |
| Value for Money | <p>Broadly value for money is the extent to which objectives are achieved in relation to costs. It is about achieving the optimum combination of costs and benefits to an organisation.</p> <p>Value for money is more formally defined as the relationship between economy, efficiency and effectiveness.</p> <p>Economy is the price paid for what goes into providing a service</p> <p>Efficiency is a measure of productivity – how much you get out in relation to what is put in</p> <p>Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.</p> |
| Variance | <p>Difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected for example projected to the end of the month or financial year.</p> |
| Virement | <p>The transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.</p> |

Flintshire County Council

Financial Procedure Rules – Summary

1. What are Financial Procedure Rules?

- Financial Procedure Rules (FPR's) provide the framework for managing the Authority's financial affairs.
- They apply to every member and officer of Flintshire County Council.
- The FPR's should be read in conjunction with the rest of the constitution of which they form part, including Contract Procedure Rules (available on Infonet – Collaborative Procurement system section)

Why are they important?

Good, sound financial management is a key element of the Authority's Corporate Governance framework which helps to ensure that the Authority:

- Is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- Secures value for money, controls spending, ensures due probity of transactions and allows decisions to be informed by accurate accounting information.
- Uses secure and reliable records and systems to process transactions and information and substantiate the effective use of public money.

Below is a summary of the key control points of the FPR's and is intended as an easy guide for staff . A full set of the FPR's is available on the Infonet - Corporate Finance

2. Financial Management – Roles and Responsibilities

The **Council** has a duty towards its Council Tax payers with regard to financial decisions and their consequences and is responsible for approving the budget and the policy framework, approving and monitoring compliance with the framework of accountability and control and for monitoring compliance with policies.

The **Chief Finance Officer** is accountable to the Chief Executive and the Council has statutory duties that provide the overall responsibility for the financial administration of the Council.

The **Chief Executive** and **Chief Officers** are responsible for promoting the financial management standards set by the Chief Finance Officer in their portfolio and monitoring adherence to the standards and practices.

Chief Officers are responsible for ensuring that **all officers** that report to them operate adequate and effective financial systems and adhere to the FPR's.

3. Financial Planning

3.1 Strategic Plans

The Local Authority has a responsibility to produce various plans, financial planning is a key part of this process, setting out the financial consequences of the actions planned to meet the objectives set. The key controls are:

- Ensure that all relevant plans are produced and that they are consistent with corporate objectives.
- Produce plans in accordance with statutory requirements.
- Meet the timetables set.
- Ensure that all performance information is accurate, complete and up to date.
- Provide improvement targets that are meaningful, realistic and challenging.

3.2 Budgeting

Budgetary control and monitoring procedures ensure that once the budget has been formally approved resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year.

By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The key controls are:

- Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure and all budget managers and staff must understand their financial responsibility.
- Spending must remain within the services' overall cash limit and budgets should not be overspent and corrective action should be taken where significant variances are forecast. Variances in excess of £50,000 should be reported with an explanation to the Chief Finance Officer.
- Budget managers should prepare action plans where a significant overspend is forecast and report areas of under spend. The use of budget savings, other than in accordance with the approved budget, is not permitted without cabinet approval.

3.3 Budget Virements

Virement between budgets is an important feature of budgetary control. There are two types of virement:

- Accounting adjustments – transfer to another budget where the approved purpose of the expenditure/income does not alter e.g. allocation of energy inflation which is held centrally and allocated to portfolio areas based on evidenced need.
- Formal virements – transfer of budget which does change the purpose of the expenditure/income approved by County Council e.g. transfer of an amount from Adult Social Services to Children's Social Services to deal with a pressure in the Children's Services area.

All formal virements must be authorised and budget virements in excess of £75,000 should be submitted to Cabinet for approval.

3.4 Capital Programmes

Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the authority such as land, buildings and major items of plant, equipment and vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. The key controls are:

- That there is specific approval by the full authority for the programme of capital expenditure.
- Expenditure on capital schemes is subject to the approval of the Chief Finance Officer.
- A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project.
- Accountability for each proposal is accepted by a named manager.
- Monitoring of progress in conjunction with expenditure and comparison with approved budget.

3.5 Maintenance of Reserves

The local authority must decide the general level of reserves it wishes to maintain before it can decide the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and therefore protect it from overspending should such events occur. Reserves for specific purposes may also be maintained such as the purchase or renewal of capital items.

4. Risk Management and Control of Resources

The Local Authority faces risk to people, property and continued business operation. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Risk management is an integral part of the Council's Governance Framework and Internal Control. The council has a Risk Management Strategy which outlines how the Authority manages risk corporately.

4.1 Internal Controls

Internal Controls are required to ensure that the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that assets and interests are safeguarded. Managers are required to periodically assess their systems of control to ensure that they are adequate to manage the risks associated with the service in line with the current Accounts & Audit (Wales) regulations.

Managers need to provide appropriate risk and control information using the Self-Assessment questionnaire to the Corporate Governance Working Group to enable the Annual Governance Statement to be included in the annual financial statements.

Managers need to ensure that staff have a clear understanding of all procedures and of the consequences of lack of control.

4.2 Internal Audit

The requirement of internal audit is set out by the Accounts and Audit (Wales) regulations 2005. Internal auditing is an independent, objective assurance and consulting activity

designed to add value and improve the Authority's operations. It evaluates and improves the effectiveness of risk management, control and governance processes.

All Staff will ensure that:

- Internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work and that auditors are provided with any information and explanations that they seek in the course of their work.
- Any agreed actions arising from audit recommendations are carried out timely and efficiently.
- Internal Audit are notified of any matter which involves, or potentially involves, any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources.
- New systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation, to ensure that control issues are fully considered and complied with.

4.3 Security of Assets

The Authority holds assets in the form of property, vehicles, equipment, furniture, and other items. It is important that assets are safeguarded and used efficiently in service delivery and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a pre-requisite for sound asset management. The key controls are:

- Resources are used only for the purposes of the authority and are properly accounted for.
- Resources are available for use when required.
- Resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits.
- An asset register is maintained, assets are recorded when acquired and the record is updated as changes occur with respect to the location and condition of the asset.
- All staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information including the requirements of the Data Protection Act and software copyright legislation.
- All staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and the compliance with the authority's computer and internet security policies.

4.4 Treasury Management

Many millions of pounds pass through the authority's books each year. Statutory codes of practices aim to provide assurances that the authority's money is managed in a way that balances risk with return with the overriding consideration being given to the security of the authority's capital sum.

The Authority nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4.5 Imprest Accounts

Imprest accounts (cash or bank accounts) are provided to meet minor expenditure on behalf of the Authority. Staff operating an imprest account should:

- Obtain and retain receipts/invoices and vouchers to support each payment from the imprest account and record each transaction promptly.
- Ensure reimbursement claims are signed by the claimant and one authorising signatory.
- Make adequate arrangements for the safe custody of the account and reconcile and balance the account at least monthly irrespective of the frequency of reimbursement claims. The account should not become overdrawn.
- Provide the Chief Finance Officer with a certificate of the value of the imprest account/float held at 31 March each year
- Ensure that the imprest is not used to cash personal cheques or make personal loans.
- Ensure that no payments are made to individuals, contractors, consultants, casual staff or self-employed persons. The exceptions are where incentive bonus payments are made to service users in Social Services Day Opportunities and payments are made to residents from deputyship monies.
- Ensure that if emergency loans are made to service users that the Monitoring and Recovery of Loans Procedure is adhered to.

4.6 Staffing

Managers will ensure that:

- Budget provision exists for all existing and new employees and they monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- The staffing budgets are not exceeded without due authority and that they are managed to enable the agreed level of service to be provided.
- A register of interests is maintained, in which any hospitality or gifts accepted are recorded
- Ensure that staff comply with the Flintshire County Authority Code of Conduct for Local Government Employees which states that no employee of the Authority shall accept any fee, gift or reward which is intended as, or might be construed as, an inducement to influence that employee in the execution of that employee's duties.
- The offer of any such fee, gift or reward is reported immediately by the employee concerned to the appropriate Chief Officer, who shall in turn notify the Chief Finance Officer of the occurrence.

5. Financial Systems and Procedures

The information held in financial systems must be accurate and the systems and procedures well administered. The key controls are to ensure that:

- Accounting records are properly maintained and held securely
- Vouchers and documents with financial implications are not destroyed except in accordance with arrangements approved by the Chief Finance Officer
- A complete management trail, allowing financial transactions to be traced from the accounting records to the original documents and vice versa is maintained
- Processing is carried out in an accurate, complete and timely manner and output from the system is complete, accurate and timely.
- The organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice
- There is a documented and tested disaster recovery plan to allow for information system processing to resume quickly in the event of an interruption
- Systems are documented and staff trained in operations.
- There is a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations and showing the limits of their authority.
- A list of authorised officers is supplied, with specimen signatures and delegated limits to the Chief Finance Officer and any subsequent variations
- Where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation

5.1 Income

The key controls for income are:

- All income due to the Authority is identified and charged correctly, in accordance with the approved charging policy which is regularly reviewed.
- All income is collected from the correct person at the right time.
- All money received by an employee on behalf of the authority is paid without delay into the Authority's bank account and properly recorded. The responsibility for cash collection should be separated from that of identifying the amount due and for reconciling the amount due to the amount received.
- Where possible income should be obtained in advance of supplying goods or services to improve the Council's cash flow, to avoid the time and cost of administering debts, and to reduce the risk of non-collection, particularly for low value items.
- No invoices with a value of less than £40, with the exception of invoices relating to peppercorn rents, licenses or leases in connection with the occupation of council land or property shall be raised.
- Effective action is taken to pursue non-payment within defined timescales.
- Formal approval for debt write-off is obtained.
- Appropriate write-off action is taken within defined timescales.
- Appropriate accounting adjustments are made following write-off action.
- All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.

- Officers involved in the collection of income should make themselves aware of the Council's Money Laundering Policy and report suspected cases to the Chief Finance Officer.

5.2 Ordering and paying for work, goods and services

The key controls are:

- Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority in accordance with the appropriate codes of conduct.
- Official orders must be submitted via the Purchase 2 Pay system and no orders should be raised retrospectively.
- Official orders must be issued for all work, goods or services to be supplied to the authority except for supplies of utilities, periodic payments such as rents or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer.
- Each order must conform to the guidelines approved by the full authority on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied with the prior approval of the Chief Finance Officer.
- Apart from petty cash, schools own bank accounts and other payments in advance accounts, the normal method of payment from the authority shall be by cheque or other instrument or approved method drawn on the Authority's bank account. The use of direct debit shall require the prior agreement of the Chief Finance Officer.
- Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

5.3 Payments to employees and members

Staff costs are the largest item of expenditure for most authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and that payments accord with individuals' conditions of employment.

The key controls for payments to employees and members are:

- Proper authorisation procedures are in place and that there are corporate timetables in relation to starter, leavers and variations
- Frequent reconciliation of payroll expenditure against approved budget and bank account
- All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
- That Inland Revenue regulations are complied with
- All claims for payment of financial loss, attendance, travelling, subsistence and car allowances, and other incidental expenses paid for by the claimant, shall be completed and signed by the claimant in a form approved by the Chief Finance Officer or Chief Officer (People and Resources) as appropriate. With the introduction of the iTrent system, employees will be able to submit expenses via Employee Self Service. Managers will authorise expenses via the iTrent system.

5.4 Taxation

The Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important that all officers are made aware of their role. The key controls are:

- Budget managers are provided with the relevant information and kept up to date on tax issues including the required record keeping procedures.
- All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- Records are maintained in accordance with instructions.
- Returns and payments are made to the appropriate authorities within the stipulated timescale.

6. External Arrangements

6.1 Partnerships

Partnerships play a key role in delivering community strategies and in helping to promote and improve the wellbeing of an area. The Local Authority can still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders and deliver a shared vision of services based on user wishes.

The key controls for authority partners are:

- If appropriate to be aware of their responsibilities under the authority's financial regulations and contract standing orders.
- To ensure that risk management processes are in place to identify and assess all known risks.
- To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.
- To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

6.2 External Funding

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority.

The key controls for external funding are:

- To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- To ensure that funds are acquired only to meet the priorities approved in the policy framework by the full council.
- To ensure that any match funding requirements are given due consideration prior to entering into long term agreements and that future revenue budgets reflect these requirements.

6.3 Other Funds

The Council will not as a general rule supervise the financial administration of, nor audit, unofficial funds, and accepts no liability whatsoever for any loss however caused. Unofficial funds are defined as those which are not the property of the Council, for example school monies collected by schools for school trips and monies held in Amenities Funds in Social

Services establishments. Those operating such funds, therefore, have an overall responsibility to ensure that proper financial stewardship is observed. The key controls are:

- A Treasurer and independent auditor are formally appointed.
- Adequate records and procedures are maintained.
- Regular reports on fund transactions and balances are received and checked against bank statements.
- Annual statements of income and expenditure and fund balances are prepared and audited on a timely basis.
- The School Fund Regulations, 2013 must be followed for the operation of all school funds in Flintshire Schools.

6.4 Protection of Clients Assets

Where the Council is appointed as a Deputy for a Client by the Office of the Public Guardian (OPG), Officers will ensure that all OPG regulations and guidelines are complied with.

Where the Council is approved by the Department for Work and Pensions (DWP) to act as a Corporate Appointee for a Client, the DWP guidelines must be complied with. This includes arranging a separate bank account for each Client, with the bank account reconciled on a regular basis, at least monthly. Every transfer of client's monies from one Officer to another shall be recorded immediately and be evidenced by the signature of the receiving Officer.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 3 JUNE 2015**

REPORT BY: **INTERNAL AUDIT MANAGER**

SUBJECT: **INTERNAL AUDIT PROGRESS REPORT**

1.00 PURPOSE OF REPORT

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

2.00 BACKGROUND

2.01 Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts as listed below.

2.02 The status of all projects in the 2014/15 plan as at 1st May is shown in Appendix A. The Appendix shows the agreed timing for the individual projects where it is known, and the actual number of days spent on each project.

2.03 Changes from the original plan for 2014/15 are outlined in Appendix B.

2.04 The plan for 2015/16 is given in Appendix C.

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

2.05 Appendix E gives a summary of all recommendations tracked since the last committee. For recommendations not completed by the due date it also gives the view of the relevant Chief Officer on the acceptability of the reason for the delay and on the management of the risk that has arisen because of the delay.

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

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

3.00 CONSIDERATIONS

3.01 Audit Plan and Resources

As outlined to previous Audit Committees the commencement of work on the 2014/15 operational plan was affected by the need to recruit a new member to the team. Chief Officers were also consulted after the restructure and an updated plan presented to the September committee. There have been no major issues since then. The plan included some lower priority audits that could be deferred or deleted during the year if necessary as a result of the recruitment, depending on resources and demand.

Appendix A shows the updated plan for 2014/15. The plan is substantially completed. There is always need to complete work after the financial year end, the amount this year is much reduced on the position last year. All of the lower priority audits were considered as part of the planning process for 2015/16. Some have been deferred and a few have been deleted as being no longer necessary. All the changes are detailed in Appendix B. Two follow up audits were added to the scheduled work.

3.02 The implementation of the integrated audit software is continuing. All current audit work now uses the software, with reports being generated from April. Recommendation tracking through the system will start shortly. The plan for 2015/16 has already been input to it, which will aid scheduling. Management information will build up over time as the system is used more and more.

3.03 The plan for 2015/16 has started, with projects planned and a few that have commenced. There are no resource issues with this plan.

3.04 Final Reports

All reports finalised since the last committee meeting are shown in Appendix D. Details for the Schools Safeguarding and Communities First reports are also given.

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

3.06 Recommendation Tracking

Appendix E shows the responses that have been received when tracking recommendations. A full response has not yet been received for Recruitment. The non-implemented recommendations will be tracked again at their new due date. They include nine recommendations on Capital Accounting. Progress is being made, with a new Strategy planned to be completed shortly which will address these recommendations. The implementation of

recommendations in the Recruitment and Induction report has been delayed as key staff have left the Council.

For recommendations that have not been implemented on time the relevant Chief Officer is required to confirm that the reason and the new date are both acceptable to them and to report on how the risk is being managed before the recommendation is implemented. This ensures that they are aware of non-implementation and that they are able to take responsibility for the risk. The views of the Chief Officers are also shown in Appendix E. The original implementation dates and the new implementation dates are shown, and there is a column to show the view of Internal Audit.

3.07 Performance Indicators

Appendix F shows the range of performance indicators for the department following the changes to the way the department discusses audit findings and issues reports. These are generally good, although the overall target for the issue of reports was slightly missed. There is a red for depts. returning satisfaction questionnaires. This should improve with the rollout of the new software.

3.08 Investigations

Appendix G shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.

4.00 RECOMMENDATIONS

4.01 The committee is requested to consider the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

- 12.01 A Operational Plan 2014/15
B Changes to the Operational Plan
C Operational Plan 2015/16
D Reports Issued
E Recommendation Tracking
F Performance Indicators
G Investigations

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

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

Appendix A

Operational Plan 2014/15

| Type | Audit | Plan Days | Revised Plan Days | Actual Days used | Proposed quarter / Status |
|-----------|---------------------------------------|-----------|-------------------|------------------|---------------------------|
| | CORPORATE | | | | |
| Risk | Risk Management | 10 | 10 | 1 | COMPLETED |
| Risk | Performance Indicators | 5 | 10 | 13 | FINAL |
| Risk | Implementation of Operating Model | 10 | 0 | | |
| Risk | North West Residual Waste Partnership | 10 | 10 | | COMPLETED |
| Risk | Use of Consultants | 10 | 5 | 26 | DRAFT |
| Risk | Corporate Governance | 10 | 10 | 1 | COMPLETED |
| Risk | Partnerships | 10 | 5 | 6 | DRAFT |
| Addition | Value for Money – Business Plans | | 20 | 21 | FINAL |
| | | 65 | 70 | 68 | |
| | GOVERNANCE | | | | |
| Risk | Data Protection | 10 | 10 | 11 | FINAL |
| Risk | Document Sealing | 5 | 5 | 2 | DRAFT |
| System | Members Allowances | 5 | 5 | 5 | FINAL |
| System | Freedom of Information/EIR | 5 | 5 | | 15/16 |
| Advisory | Electoral Register | 10 | 0 | | 15/16 |
| Risk | IT Helpdesk | 10 | 10 | 8 | DRAFT |
| Risk | Backup & Service Continuity | 10 | 10 | 18 | FINAL |
| Risk | Use of Personal Email Addresses | 10 | 10 | 1 | WIP |
| Risk | Mobile Phones & Devices/Usage | 15 | 15 | 25 | FINAL |
| Follow Up | EDRMS | 10 | 0 | | 16/17 |
| Risk | Procurement – New Arrangement | 5 | 5 | | DELETED |
| Risk | Contract Procedural Rules | 15 | 15 | | 15/16 |
| System | P2P System | 10 | 10 | 13 | DRAFT |
| Advisory | Select List, E Sourcing project | 5 | 5 | | 15/16 |

| Type | Audit | Plan Days | Revised Plan Days | Actual Days used | Proposed quarter / Status |
|---------------|--|-----------|-------------------|------------------|---------------------------|
| Risk | Etarmis | 20 | 20 | 29 | FINAL |
| Risk | Records Management | 15 | 15 | 22 | FINAL |
| 2013/14 | Server Licensing | | 9 | 16 | DRAFT |
| 2013/14 | Moodle | | 8 | 11 | FINAL |
| | | 160 | 157 | 161 | |
| | PEOPLE AND RESOURCES | | | | |
| Systems | Main Accounting | 30 | 30 | 45 | FINAL |
| Follow Up | Capital Programme | 10 | 10 | | 15/16 |
| Follow Up | Corporate Grants | 10 | 10 | 15 | FINAL |
| Follow Up | Fees and Charges | 10 | 10 | | 15/16 |
| System | Pensions Administration & Contributions | 15 | 15 | 15 | FINAL |
| System | Pensions Investment Management & Accounting | 15 | 15 | 12 | FINAL |
| Risk | Implementation of Single Status | 20 | 20 | 39 | FINAL |
| Risk / System | SS Governance Framework: Additional Payments & ECU | 20 | 20 | 1 | WIP |
| Risk | SS Governance Framework: Workforce Data | 10 | 15 | 2 | 15/16 |
| Risk | Schools HR/Safeguarding | 15 | 15 | 37 | FINAL |
| System | SS Governance Framework: SS Payments | 20 | 20 | 1 | WIP |
| Risk | Voluntary Redundancy & Workforce Consultation Database | 20 | 10 | 19 | FINAL / FINAL |
| Risk | Staff Recruitment & Induction | 15 | 15 | 17 | FINAL |
| System | Payroll | 20 | 20 | 19 | DRAFT |
| 2013/14 | Attendance Management | | 7 | 30 | WIP |
| Addition | Budget monitoring - underspends | | 10 | | WIP |
| Addition | Investigation Protocol | | 5 | | DELETED |
| Addition | Equal Pay Calculations | | 2 | 2 | FINAL |
| Addition | Equal Pay Payments | | 3 | 5 | DRAFT |
| | | 230 | 252 | 259 | |

| Type | Audit | Plan Days | Revised Plan Days | Actual Days used | Proposed quarter / Status |
|-----------|--|-----------|-------------------|------------------|---------------------------|
| | EDUCATION AND YOUTH | | | | |
| Risk | Risk Management in Schools | 10 | 5 | 2 | COMPLETED |
| System | Grants – Various WG Requirement | 10 | 10 | 10 | COMPLETED |
| System | School Funding Formula | 20 | 20 | 2 | WIP |
| Risk | Control & Risk Self Assessment | 15 | 15 | 12 | COMPLETE |
| Risk | Risk Based Thematic Reviews | 45 | 45 | 61 | DRAFT |
| Risk | School Closures/Opening | 10 | 10 | 15 | FINAL |
| 2013/14 | Grants – Post 16 | | 6 | 7 | FINAL |
| 2013/14 | School Funds | | 20 | 23 | FINAL |
| Follow Up | Youth and Community | | | 5 | FINAL |
| | | 110 | 131 | 137 | |
| | SOCIAL SERVICES | | | | |
| Risk | Mental Health Team | 10 | 10 | 11 | FINAL |
| Risk | Community Equipment Service | 10 | 10 | 12 | FINAL |
| Risk | Commissioning Team | 20 | 15 | 12 | DRAFT |
| Risk | Movement from Children's Team to Care Leavers Team | 15 | 15 | | DELETED |
| System | Llys Jasmine | 20 | 20 | 8 | FINAL |
| Risk | Financial Assessment & Charging Team (FACT) | 15 | 15 | 19 | WIP |
| Addition | FACT payments | | 5 | 6 | FINAL |
| Risk | Community Living | 10 | 0 | | |
| | | 100 | 85 | 68 | |
| | COMMUNITY & ENTERPRISE | | | | |
| System | Housing Benefits | 20 | 20 | 23 | DRAFT |
| Risk | Supporting People | 20 | 20 | 19 | FINAL |
| Risk | Appraisal & Absence Management | 20 | 20 | 28 | FINAL |
| System | Council Tax & NNDR | 20 | 20 | 21 | FINAL |

| Type | Audit | Plan Days | Revised Plan Days | Actual Days used | Proposed quarter / Status |
|---|---|-----------|-------------------|------------------|---------------------------|
| Risk | Rent Arrears | 15 | 15 | 15 | FINAL |
| Risk | Communities First | 15 | 15 | 21 | FINAL |
| 2013/14 | Corporate Complaints | | 5 | 7 | FINAL |
| 2013/14 | Private Sector Housing | | 11 | 26 | FINAL |
| | | 110 | 126 | 160 | |
| | PLANNING & ENVIRONMENT | | | | |
| System | Building Control | 20 | 0 | | 16/17 |
| System | Pest Control | 15 | 15 | 21 | FINAL |
| Risk | 21 st Century Schools | 5 | 5 | | 15/16 |
| Addition | S 106 Agreements | | 5 | | 15/16 |
| Addition | Planning Appeals Follow Up | | | 7 | FINAL |
| | | 40 | 25 | 28 | |
| | STREETSCENE AND TRANSPORTATION | | | | |
| Risk | Waste Management – Recyclable Materials | 20 | 20 | 2 | WIP |
| Advisory | Migration of Stores into Alltami | 5 | 5 | 3 | FINAL |
| 2013/14 | Waste Management | | 5 | 15 | FINAL |
| | | 25 | 30 | 20 | |
| | ORGANISATIONAL CHANGE | | | | |
| Risk | Facilities Services | 30 | 15 | 14 | FINAL |
| Risk | Repairs & Maintenance Procurement | 15 | 5 | 6 | FINAL |
| Risk | Asset Management – Tech Forge | 20 | 20 | 21 | FINAL |
| | | | | | |
| | | 65 | 40 | 41 | |
| | INVESTIGATIONS, PROVISIONS AND DEVELOPMENT | | | | |
| Provision for Investigations & Pro-active Fraud | | 200 | 200 | 180 | |
| Provision for ad hoc requests from Directorates | | 90 | 50 | | |
| Follow up Reviews | | 50 | 30 | | |

| Type | Audit | Plan Days | Revised Plan Days | Actual Days used | Proposed quarter / Status |
|----------------------------------|-------------|-----------|-------------------|------------------|---------------------------|
| IDEA | | 20 | 20 | | |
| Audit Development – New Software | | 55 | 55 | 63 | |
| Consultancy | | 50 | 30 | 19 | |
| Regional Collaboration | | 10 | 5 | 9 | |
| | | | | | |
| | | 475 | 390 | 305 | |
| | | | | | |
| | Grand Total | 1380 | 1301 | 1213 | |

Definitions

Risk based audits

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

Systems based audits

Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.

Advisory

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

TBC (To be confirmed)

Lower priority audits that may be deferred or deleted during the year if necessary, depending on resources.

2013/14

Audits carried forward from the previous year's plan.

Additions

Audits added to the plan at the request of management, time used from the provision for requests.

CHANGES TO THE AUDIT PLAN – SINCE THE LAST MEETING

Audits deleted /deferred from the plan

Governance

Select List, E Sourcing project. Project not completed. Audit now on project board.

People and Resources

Fees and Charges. Work now undertaken to identify savings for 2015/16. Fee setting policy planned for 2015/16.

Investigation Protocol. Review going ahead, it is planned to use an independent organisation.

CHANGES TO THE AUDIT PLAN – PREVIOUSLY REPORTED

Audits added to the audit plan

Corporate

Value for Money – Business Plans

The value for money review will be focused on the current production of business plans

People and Resources

Budget monitoring

Review of budget monitoring, including the treatment of underspends.

Investigation Protocol

Review of the management of investigations and disciplinary procedures-

Equal Pay Calculations

Review of the formula for calculating the settlement figures

Equal Pay Payments.

Review of the accuracy of Equal Pay payments.

Education and Youth

Youth and Community Follow Up

Follow up of previous limited assurance audit

Community and Enterprise

Commuted Sums

Review of policy, procedures and controls around the use of commuted sums.

Planning and Environment

Planning Appeals Follow Up

Follow up of previous limited assurance audit

Audits deleted from the plan

Corporate

Implementation of the Operating Model

The new structure is in operation. Risks will continue to be monitored but no formal review is necessary.

Governance

Electoral Register

Not required this year, in strategic plan for 2015/16

EDRMS (Electronic Document and Records Management System)

Delays in introduction, moved to 2016/17.

Freedom of Information / EIR

TBC audit, to be completed in 2015/16

Procurement – new arrangement

TBC audit, no longer required

Contract Procedure Rules

TBC audit, to be completed in 2015/16

People and Resources

Capital Programme Follow up – deferred to 2015/16.

Now the responsibility of Chief Officer (Organisational Change). Strategy to be developed by the end of the financial year.

SS Governance Framework: Workforce Data

New software 'Human Concepts', to be completed in 2015/16

Social Services

Community Living

Include as part of Client Finances and Receiverships during 2015/16

Movement from Children's Team to Care Leavers Team

TBC audit, no longer required

Planning and Environment

Building Control

Not a priority this year, moved to 2016/17 plan.

21st Century Schools

TBC audit, to be completed in 2015/16, project management.

S106 Agreements.

Addition to the plan at the request of management. To be completed in 2015/16

Appendix C

Operational Plan 2015/16

| Audit | Audit Classification | IA Risk Rating | Plan Days | Actual Days | Proposed quarter / Status |
|---|----------------------|----------------|------------|-------------|---------------------------|
| Corporate | | | | | |
| Delivery of the Business Plans | Advisory VFM / | R | 40 | | 2 |
| Risk Management | Risk Based | A | 10 | | 3 |
| Clwyd Theatre Cymru | Follow Up | A | 10 | | 4 |
| North West Regional Waste Partnership | Risk Based | A | 10 | | 3 |
| Corporate Governance | Risk Based | G | 5 | | 4 |
| Total Planned Days – Corporate | | | 75 | | |
| Community and Enterprise | | | | | |
| NEW Homes | Risk Based | R | 10 | | 2 |
| Homelessness | Risk Based | R | 15 | | 2 |
| Housing Benefit | System Based | R | 15 | | 4 |
| Council Tax and NNDR | System Based | R | 20 | | 3 |
| Corporate Debt Management | Risk Based | R | 15 | | 2 |
| Total Planned Days – Community & Enterprise | | | 75 | | |
| Education and Youth | | | | | |
| Control and Risk Self-Assessment | Risk Based | R | 15 | | 2 |
| Risk based thematic reviews across all schools including central controls | Risk Based | R | 45 | | 3 |
| 21 st Century Schools | Risk Based | R | 15 | | 2 |
| Grants – Various WG requirement | System Based | R | 15 | | 2 |
| Free school meals - Funding arrangements | System Based | R | 15 | | 1 |
| School closures | Risk Based | G | 5 | | 1 |
| Total Planned Days – Education & Youth | | | 110 | | |

| Audit | Audit Classification | IA Risk Rating | Plan Days | Actual Days | Proposed quarter / Status |
|--|----------------------|----------------|---------------|-------------|---------------------------|
| Governance | | | | | |
| Chair of the Council's Charity / Trust Fund | Risk Based | R | 10 | | 2 |
| Network Security | Risk Based | R | * See note | | 4 |
| FOI Requests | Risk Based | R | 15 | | 3 |
| Data Protection | Advisory | R | 10 | | 2 |
| Migration to Microsoft | Risk Based | R | 15 | | 2 |
| Disposal of ICT Equipment | Risk Based | A | 10 | | 2 |
| PCIDSS | Risk Based | A | 20 | | 4 |
| Cloud computing | Risk Based | A | * See note | | 2 |
| Anti-virus procedures | Risk Based | A | 15 | | 2 |
| E Sourcing (Proactis) | System Based | A | 15 | | 4 |
| Select List Including Financial Vetting of Suppliers | System Based | A | 20 | | 2 |
| Contract Procedural Rules | Risk Based | A | 20 | | 1 |
| Electoral Register | Advisory | A | 5 | | 3 |
| Total Planned Days - Governance | | | 155 | | |
| Organisational Change 1 | | | | | |
| Alternative Delivery Models | VFM | R | 20 | | 1 |
| Leisure Services | System Based | G | 20 | | 3 |
| Japanese Youth Exchange | Regulatory | G | 5 | | 1 |
| Total Planned Days – Organisational Change 1 | | | 45 | | |

| Audit | Audit Classification | IA Risk Rating | Plan Days | Actual Days | Proposed quarter / Status |
|---|----------------------|----------------|------------|-------------|---------------------------|
| Organisational Change 2 | | | | | |
| Electronic stock taking (catering bus plan) | Advisory | A | 5 | | 4 |
| 21 st Century Schools | Systems Based | A | 15 | | 2 |
| CCTV | Risk Based | A | 15 | | 4 |
| Total Planned Days – Organisational Change 2 | | | 35 | | |
| People and Resources | | | | | |
| Payroll | System Based | R | 20 | | 3 |
| E-Teach (Supply Staff) – Payroll and Recruitment | VFM | R | 20 | | 2 |
| Use of Relief, Agency and Self Employed Workers | Risk Based | R | 20 | | 3 |
| Agile Working | Advisory | A | 20 | | 2 |
| Human Concepts Software | Advisory | G | 5 | | 2 |
| Main Accounting – Accounts Receivable (AR) | System Based | R | 10 | | 4 |
| Main Accounting – Accounts Payable (AP) / P2P | System Based | R | 20 | | 3 |
| Main Accounting – General Ledger (GL) | System Based | R | 10 | | 4 |
| Treasury Management | System Based | R | 15 | | 3 |
| Capital Programme | Follow Up | R | 5 | | 3 |
| Insurance | Risk Based | R | 10 | | 4 |
| Medium Term Financial Strategy | Risk Based | A | 10 | | 1 |
| Collaborative Planning | Risk Based | G | 5 | | 2 |
| Pensions Administration and Contributions | System Based | G | 15 | | 3 |
| Pension Fund Governance | System Based | G | 10 | | 4 |
| Total Planned Days – People & Resources | | | 195 | | |

| Audit | Audit Classification | IA Risk Rating | Plan Days | Actual Days | Proposed quarter / Status |
|--|----------------------|----------------|-----------|-------------|---------------------------|
| Planning and Environment | | | | | |
| Section 106 Agreements | Risk Based | R | 15 | | 2 |
| Pest Control | Risk Based | A | 5 | | 3 |
| Pollution Control | Risk Based | G | 15 | | 4 |
| Total Planned Days – Planning & Environment | | | 35 | | |
| Social Services | | | | | |
| Client Finances / Receivership, including Community Living | Risk Based | R | 20 | | 2 |
| Residential Care Homes | Advisory | R | 20 | | 1 |
| Direct Payments | System Based | R | 20 | | 1 |
| PARIS – Finance Module | Advisory | A | 5 | | 4 |
| Total Planned Days – Social Services | | | 65 | | |
| Streetscene and Transportation | | | | | |
| Concessionary Travel | Risk Based | R | 20 | | 4 |
| School Transport – Contract Management | Risk Based | R | 10 | | 2 |
| Waste Contract Management | Follow up | R | 15 | | 3 |
| Waste Management | Follow Up | R | 15 | | 3 |
| Integrated Transport | Advisory | R | 5 | | 2 |
| Fleet Management | Advisory | A | 5 | | 1 |
| Total Planned Days – Streetscene & Transportation | | | 70 | | |

| | | |
|--|--|-------------|
| Investigations, Provisions and Developments | | |
| Provision for investigations and pro-active fraud | | 200 |
| Provision for ad-hoc requests from management | | 80 |
| Follow up reviews | | 30 |
| Audit development | | 20 |
| IDEA | | 20 |
| Advisory work | | 40 |
| Total | | 390 |
| | | |
| Overall Plan Total | | 1250 |

* Note: It may be necessary to bring in external resource to complete this technical ICT audit

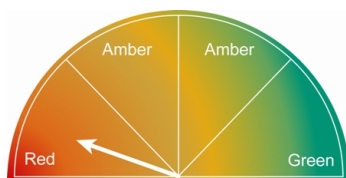
Appendix C

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

| Project Reference | Project Description | Level of Assurance | Recommendations | | |
|-------------------|---------------------------------|--------------------|-----------------|-----|-----|
| | | | High | Med | Low |
| CD0200U1 | Performance Indicators | Amber + | 0 | 2 | 1 |
| 04-2014/15 | Main Accounting General Ledger | Amber + | 0 | 3 | 1 |
| FD0083U1 | Accounts Receivable | Amber + | 0 | 2 | 1 |
| 09-2014/15 | Pensions Administration | Green | 0 | 1 | 2 |
| 10-2014/15 | Pensions Investments | Green | 0 | 0 | 2 |
| HR0300U1 | Schools Safeguarding | Red | 5 | 1 | 1 |
| HR0800T2 | Workforce Consultation Database | Amber- | 1 | 2 | 5 |
| IT0600U1 | Back Up & Service Continuity | Green | 0 | 0 | 1 |
| 03F-2014/15 | Youth and Community Follow Up | Amber+ | 0 | 2 | 0 |
| 14-2014/15 | Community Equipment Service | Green | 0 | 0 | 2 |
| EN0105U1 | Planning Appeals Follow Up | Amber + | 0 | 3 | 1 |
| EN0100U1 | Technology Forge | Amber + | 0 | 2 | 2 |
| EN1000U1 | Communities First | Red | 2 | 4 | 3 |
| | | | | | |
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Levels of Assurance – standard reports.

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits or audits with **High** level recommendations will be reported to the Audit Committee.



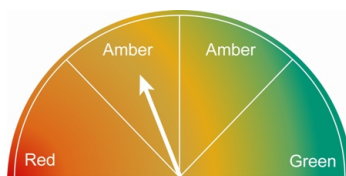
Urgent system revision required (one or more of the following)

- Key controls are absent or rarely applied
- Evidence of (or the potential for) significant financial / other losses
- Key management information does not exist
- System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.

Impact: a lack of adequate or effective controls leading to a high probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.

Significant improvement in control environment required (one or more of the following)

- Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively
- Evidence of (or the potential for) financial / other loss
- Key management information exists but is unreliable
- System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.

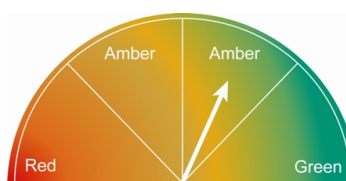


Impact: key controls are generally inadequate or ineffective and there is an increased probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.

Key Controls in place but some fine tuning required (one or more of the following)

- Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact
- Some refinement or addition of controls would enhance the control environment
- Key objectives could be better achieved with some relatively minor adjustments

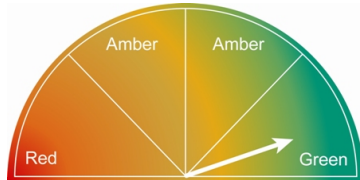
Impact: key controls generally operating effectively but there remains a potential risk of



loss, fraud, impropriety or damage to reputation and / or failure to deliver organisational objectives.

Strong controls in place (all or most of the following)

- Key controls exist and are applied consistently and effectively
- Objectives achieved in a pragmatic and cost effective manner
- Compliance with relevant regulations and procedures
- Assets safeguarded
- Information reliable



Impact: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.

Levels of Assurance – follow up reports.

Substantial. 75%+ of recommendations have been implemented. All high recommendations have been implemented.

Reasonable. 51-75% of recommendations have been implemented. All high recommendations have been implemented.

Some. 30-50% of recommendations have been implemented. Any outstanding high recommendations are in the process of being implemented.

Limited. <30% of recommendations have been implemented. Unsatisfactory progress has been made on the implementation of high recommendations.

Categorisation of Recommendations

High, Medium, Low

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

Value For Money

The definition of Internal Audit within the Audit Charter includes '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.'

These value for money findings and recommendations are included within audit reports. In the findings listed below they have been highlighted in bold italics.

Summary of Findings and Action Plan of Reviews with Red Assurance level

Safeguarding – HR0300U1

We have made 5 high level recommendations and 1 medium level recommendation, based on the following:

- The current arrangements for safeguarding and recruitment need to be enhanced;
- Definitive and comprehensive guidance needs to be issued to all schools on safer recruitment and DBS checks;
- Key staff in all schools require training on safer recruitment and DBS checks;
- Schools need to be reminded that ALL employees working with children and who undertake a regulated activity should be subject to DBS checks;
- Schools need to be mindful of Data Protection in relation to DBS checks; and
- The need to review DBS checks for supply teachers.

| No. | Findings and Implications | Agreed Action | Who | When |
|-----|---|---|--|---------------------------------|
| 1 | <p>Following discussions with FCC employees and visits to seven schools (four primary and three secondary) there is an overall opinion that the current arrangements for safeguarding and recruitment (including DBS checking) for school staff could be enhanced. This is based on the following:</p> <ul style="list-style-type: none"> ▪ At the beginning of the review considerable time was incurred identifying who, within the Council, was a lead contact for DBS checking. Following visits to the schools it was apparent that school staff were also unsure as to who to contact for guidance and support centrally as many of the individuals named by school staff either no longer worked in a relevant section or for the Council. ▪ Shortly after the start of this audit a communication was sent out via email to all schools in early October 2014 on DBS checks and the use of supply workers. However at most of the schools visited, the key officers responsible for safer recruitment / DBS checking had not seen the email correspondence. ▪ Following the change from CRB to DBS in 2013, the DBS policy within the Council has been updated but not shared with schools. As a consequence schools have not been made aware of any changes to legislation. Whilst some guidance was issued via email, this method of communication is restricted. Moodle was not updated to reflect the changes from CRB to DBS. <p>Whilst the national requirements in relation to safer recruitment are communicated directly to schools and remedial action has been taken in relation to local expectations, there is no central electronic reference point to requirements on Moodle.</p> | <p>Twilight sessions are to be organised with all Headteachers and key staff involved in the recruitment process. These twilight sessions will aim to address the issues raised during the audit review and act as a training session.</p> <p>During these sessions, the DBS policy and Recruitment Policy will be re launched.</p> <p>All documentation covered during the twilight sessions will also be made available on Moodle.</p> <p>The DBS policy will be launched to schools as a priority.</p> | <p>HR Service Centre Manager</p> <p>HR Policy & Reward Advisor</p> | <p>31/05/15</p> <p>31/05/15</p> |
| 2 | <p>The safer recruitment process, including DBS checking, was discussed with schools to determine whether there was an appropriate level of understanding, policies and procedures in place and adherence to procedures. The review identified that whilst all schools had a signed contract in place for staff and had a suite of</p> | <p>A straightforward checklist will be produced and presented at the Twilight sessions held with Headteachers and relevant key individuals.</p> <p>A copy of the check list will be made</p> | <p>HR Service Centre Manager</p> | <p>31/05/15</p> |

policies on safeguarding key information was missing which was mirrored in their recruitment process. All stated that they would welcome clear guidance on a 'model' policy and procedures. Overall schools did not always:

- State within job adverts that a position is subject to a DBS check;
- Obtain two references for the successful applicant;
- Know the process to follow where an applicant had worked /lived outside of the UK i.e. would a DBS check be required from the same country;
- Request proof of qualifications;
- Keep completed application forms for successful applicants;
- Retain a copy of the letter of appointment, which would demonstrate an offer was only made subject to successful DBS check;
- Request proof of identity;
- Retain completed equal opportunity forms;
- Understand the process to follow if a positive DBS was received;
- Adhere to the DBS requirements as some schools kept copies of the DBS certificates and completed application forms on file without the applicant's consent;
- Know about or use the DBS Update Service and
- In accordance with the DBS guidance, obtain a DBS check where an individual had a 'break in service of more than three months' or where a contractor is appointed to work at the school.

It was also found that there was a lack of understanding over which documentation should be kept on an individual's file within the schools.

The inconsistency and gaps in the recruitment process within schools may increase the risk of harm to children. Overall it was evident that

available on Moodle.

An advisory letter detailing urgent safeguarding issues has been sent out to all schools covering the points raised in the Audit Report following sharing of the draft report with senior officers in HR and education.

Chief Officer –
Education and Youth

23/03/15

| | | | | |
|---|---|---|---|--|
| | staff within the schools wished to comply but did not necessarily possess the skills or knowledge of Safeguarding and DBS checking in order to do so. | | | |
| 3 | Key staff with the responsibility for recruitment and DBS checks in schools have not received any formal training. This presents a major weakness when assessing the suitability of applications and applicants interviewed. | In addition to the twilight sessions, consideration will be given to developing a Safer Recruitment and DBS Training module via Learning Pool, the Council's e-learning platform. This training module will be made available to all Headteachers and both members of staff and Governors involved in the recruitment process at each school. Will consider internal system development & external supply options. For all new governors training on safeguarding and recruitment will be provided. | Employment Services Manager Business Change Manager | 31/05/15 31/05/15 |
| | A review of the DBS process within schools identified that not all individuals working within the school, who undertake a regulated activity are subject to a DBS check. Six individuals were found to be working at schools with an out of date DBS check, these included: <ul style="list-style-type: none"> ▪ Two permanent school staff which included a head and deputy head teacher; and. ▪ Four supply staff. On examination of the Single Central Registers, required to be maintained by Schools, to record DBS checks undertaken some were found to be incomplete relating to some supply staff. However after checking with the Supply Register these individuals had an up to date DBS check. In October 2014, an email was sent to schools by People & | The twilight sessions and checklist will address the issues raised during the audit. Audit and HR will inform the Education & Youth leadership team of any individuals without a current DBS. The Education and Youth leadership team will use statutory powers of intervention in relation to any school not following national and local policy in relation to safer recruitment. | HR Service Centre Manager HR Service Centre Manager Chief Officer – Education and Youth | 31/05/15 30/04/15 30/04/15 |

| | | | | |
|--|---|--|------------------------------------|-----------------|
| | <p>Resources informing schools that due to the exceptionally high numbers of supply workers available through the Eteach database Employment Services could not 100% guarantee that all Supply Workers upon the database hold current valid DBS certificates. Since this email, supply staff continue to be employed by schools without a valid DBS check being in place.</p> <p>Whilst schools continue to employ individuals within a regulated activity without appropriate validations checks, including DBS checks, children may be put at risk.</p> | | | |
| <p>5</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 178</p> | <p>During the review it was noted that a Data Protection breach occurred relating to a DBS certificate with a positive result.</p> <p>Due to a lack of clarity of procedures and information available to schools on Moodle a decision was taken by the Headteacher to hand deliver the positive DBS check together with timesheets to County Hall but the form never arrived within the Employee Service Centre. Whilst there is no proof the DBS form was delivered, it should be noted that the timesheets were processed for payment.</p> <p>Schools are unclear of the process to follow on receipt of a positive DBS check. This is compounded due to absence of information on Moodle or a known single point of Contact within the Council.</p> | <p>The twilight sessions and checklist will address the issues raised during the audit. New procedures will be introduced to address positive DBS checks and be communicated to schools via the twilight sessions and checklist.</p> | <p>HR Service Centre Manager</p> | <p>31/05/15</p> |
| <p>6</p> | <p>Due to the number of staff contained within the Supply Register it is not possible to guarantee that all have been subject to a DBS check.</p> <p>Discussions were held with the Employment Services Manager who was of the opinion that Flintshire's Supply Register was previously closed to requests from potential supply teachers/workers asking to be added to the large supply pool already available, with the exception of specific requests from a Headteacher.</p> <p>Unfortunately an increasing number of such requests are being received from schools resulting in unnecessary DBS checks continuing to be undertaken at a cost of £44.00 (plus administrative time) for workers who are not subsequently required.</p> | <p>A business case is to be produced to determine whether the supply register should be continued to be operated and the feasibility of transferring the cost of the DBS check to the employee.</p> | <p>Employment Services Manager</p> | <p>30/06/15</p> |

Whilst alternative agencies are available for use, the Council continues to use ETeach which may not provide value for money to the Council.

The enhanced DBS check itself costs the Authority £44.00 per employee. In 2014/15 to date the Council has spent £111,501 on DBS checks with projected spend being £127,595. However, employees can register with the DBS Update Service. Registration lasts for 1 year and costs them £13 per year.

| | | |
|--|--|--|
| | | |
|--|--|--|

Communities First – EN1000U1

We have made 2 high level recommendations and 4 medium level recommendations, based on the following:

- Ineligible expenditure identified by WAO in their grant certification exercise
- Claiming of audit costs
- Non-compliance with FCC Policies and Procedures
- The need to review recruitment procedures
- The need for a clear partnership agreement
- The need to clarify compliance with EU State Aid Rules

| Ref | Recommendation | Categorisation | Accepted (Y/N) | Management Comment | Implementation Date | Manager Responsible |
|-----|--|----------------|----------------|--|-----------------------------|---|
| 2.2 | Lessons should be learnt from the Wales Audit Office 2013/14 grant certification work to ensure any similar issues are addressed in the Communities First 2014/15 grant claim. | Medium | Y | Agreed. | 31 st March 2015 | Communities First Cluster Delivery Managers / Finance Support Officer |
| 3.1 | Going forward we should seek to maximise the recovery of all Communities First costs, including external audit costs (to a maximum of £5,000 per Cluster) in accordance with Appendix 8 of the Communities First Guidance. | Medium | Y | Agreed. This will now be looked into. | 31 st March 2015 | Communities First Cluster Delivery Managers / Finance Support Officer |
| 4.1 | Officers delivering the Communities First programme must comply with the Contract Procedure Rules for all contracts entered | High | Y | Agreed, All non-compliant SLAs have been terminated with effect from 31 March 2015 and | 31 st March 2015 | Communities First Cluster Delivery Managers |

| Ref | Recommendation | Categorisation | Accepted (Y/N) | Management Comment | Implementation Date | Manager Responsible |
|-----|---|----------------|----------------|---|-----------------------------|--|
| | into, including SLA's for the provision of specialist services. | | | all future procurement will be fully compliant with contract procedure rules. | | |
| 4.2 | <p>Prior to the renewal of the SLA's with Careers Wales, WEA Coleg Harlech and Groundwork, the advantages and disadvantages of SLA's versus the direct recruitment of staff should be considered.</p> <p>As part of these considerations the employment status of the staff members, and any associated accrued employment rights need to be fully understood.</p> | Medium | Y | <p>All existing SLA's will be brought to an end by 31st March 2015.</p> <p>From 1st April 2015 the posts currently filled by the WEA SLA's will either go out to tender, or will be filled through the FCC recruitment process.</p> | 31 st March 2015 | Economic Development Manager |
| 4.3 | <p>The Partnership Agreement between Communities First and WFCE Ltd needs to be re-drafted to ensure this is an agreement which is appropriate for FCC to enter into.</p> <p>The Partnership Agreement should detail the extent of support to be provided by Officers delivering the Communities First programme to WFCE Ltd, and the services which WFCE Ltd will provide in consideration of this support.</p> <p>The Partnership Agreement should define the timescales covered by the agreement, and should detail the procedures for terminating the agreement.</p> <p>The amended draft Partnership Agreement should be reviewed by Legal before it is signed by any of the parties to ensure all appropriate legal clauses are included.</p> | High | Y | A new version of the Partnership Agreement has now been drafted although there is further work to do before it is ready to be signed. | 31 st May 2015 | Economic Development Manager / Communities First Cluster Delivery Manager West |

| Ref | Recommendation | Categorisation | Accepted (Y/N) | Management Comment | Implementation Date | Manager Responsible |
|-----|---|----------------|----------------|---|---------------------------|--|
| | The Agreement should be signed by the Chief Officer, Community & Enterprise on behalf of Flintshire County Council. | | | | | |
| 4.4 | <p>Further work is required by the officers delivering the Communities First programme (possibly in conjunction with Legal Services) to determine whether the support provided to WFCE Ltd is considered to be State Aid.</p> <p>If State Aid Rules are deemed to apply, the officers delivering the Communities First programme need to consider how this will be managed going forward.</p> | Medium | Y | <p>Work has already been undertaken to establish whether the amounts paid to WFCE Ltd fall within the State Aid rules, but it is recognised that there is further work to be done.</p> <p>Advice will be taken from Legal Services, FLVC and Welsh Government as appropriate.</p> | 31 st May 2015 | Economic Development Manager / Communities First Cluster Delivery Manager West |

Recommendation Implementation

Status of Recommendations that reached their Implementation Dates in February, March and April 2015

| Title | Reference | Date Issued | Response Received | Recommendations | | |
|-----------------------------------|-----------|---------------|-------------------|-----------------|-------------|-----------------|
| | | | | Due | Implemented | Not Implemented |
| CORPORATE | | | | | | |
| | | | Total | 0 | 0 | 0 |
| GOVERNANCE | | | | | | |
| Procurement | CD0070R1 | March 2012 | Yes | 2 | 0 | 2 |
| Procurement | CD0070P1 | November 2010 | Yes | 1 | 0 | 1 |
| Mobile Phone & Devices Usage | IT0400U1 | February 2015 | Yes | 6 | 4 | 2 |
| | | | Total | 9 | 4 | 5 |
| PEOPLE & RESOURCES | | | | | | |
| Staff Recruitment & Induction | HR0350U1 | January 2015 | No | 7 | 2 | 5 |
| Financial Systems | FD0080R1 | June 2012 | Yes | 1 | 1 | 0 |
| Main Accounting | FD0080P1 | December 2011 | Yes | 1 | 0 | 1 |
| Enforcement | FL0300L1 | February 2009 | Yes | 2 | 0 | 2 |
| | | | Total | 11 | 3 | 8 |
| EDUCATION & YOUTH | | | | | | |
| E teach | LL0190N1 | August 2010 | Yes | 1 | 1 | 0 |
| | | | Total | 1 | 1 | 0 |
| SOCIAL SERVICES | | | | | | |
| | | | Total | 0 | 0 | 0 |
| COMMUNITY AND ENTERPRISE | | | | | | |
| Communities First | EN1000U1 | March 2015 | Yes | 4 | 4 | 0 |
| | | | Total | 4 | 4 | 0 |
| PLANNING & ENVIRONMENT | | | | | | |
| Section 106 Agreements | EN0020P1 | | Yes | 1 | 1 | 0 |
| Income From Fees & Charges | EN1000U1 | February 2014 | Yes | 1 | 1 | 0 |

| Title | Reference | Date Issued | Response Received | Recommendations | | |
|---|-----------|--------------|-------------------|-----------------|-------------|-----------------|
| | | | | Due | Implemented | Not Implemented |
| | | | Total | 2 | 1 | 1 |
| STREETSCENE & TRANSPORTATION | | | | | | |
| | | | Total | 0 | 0 | 0 |
| ORGANISATIONAL CHANGE | | | | | | |
| Capital Programme | FD0090P1 | January 2012 | Yes | 11 | 2 | 9 |
| | | | Total | 11 | 2 | 9 |
| | | | | | | |
| | | | Total | 38 | 15 | 23 |

Recommendations Not Implemented – Comments from Chief Officers










| Report | Original and new dates | Response From | Reason and new date acceptable | How is the Risk being Managed Before the Recommendation is Implemented | Internal Audit acceptance |
|--|------------------------|---------------|---|--|---------------------------|
| Procurement – CD0070R1 | 31.12.12 | Gareth Owens | New system being set up in line with roll out of Proactis software | Managed within the services | Yes |
| | 31.12.15 | | | | |
| Procurement – CD0070P1 | 30.11.10 | Gareth Owens | New system being set up in line with roll out of Proactis software | Managed within the services | Yes |
| | 30.9.15 | | | | |
| Mobiles Phones and Device Usage – IT0400U1 | 31.3.15 | Gareth Owens | Exercise undertaken to cleanse the records. Now need to reconcile to supplier data. | Own records now correct | Yes |
| | 8.5.15 | | | | |




Recommendations Not Implemented – Comments from Chief Officers

| Report | Original and new dates | Response From | Reason and new date acceptable | How is the Risk being Managed Before the Recommendation is Implemented | Internal Audit acceptance |
|---|------------------------|----------------|---|---|---------------------------|
| Staff Recruitment and Induction – HR0350U1 | 31.3.15 | Sharon Carney | Further discussions on findings, key staff left. Dates to be arranged. | Recruitment being monitored | Yes |
| | | | | | |
| Main Accounting – FD0080P1 | 31.3.12 | Gary Ferguson | Protocol on reserves awaiting approval. Will include quarterly updates to Cabinet and Scrutiny. | Monitored on an ongoing basis. | Yes |
| | 30.9.15 | | | | |
| Capital Accounting – FD0090P1 | 2012 | Neal Cockerton | Capital Strategy planned to be presented to Cabinet in June. | The capital programme is monitored on an ongoing basis | Yes |
| | June 2015 | | | | |
| Enforcement – FL0300L1 | June 2009 | Gary Ferguson | Finance Modernisation programme includes review of Accounts Receivable | Improvements have been made where possible and risks are being managed pending the introduction of a new system | Yes |
| | March 2016 | | | | |

Appendix F

Internal Audit Performance Indicators

| Performance Measure | Q3 | Q4 | Target | RAG Rating |
|--|--------------|--------------|-----------|---|
| Internal Audit Departmental Targets | | | | |
| Audits completed within planned time | 88% | 78% | 80% |  ↓ |
| Average number of days from end of fieldwork to end of debrief meeting | 3.33 | 10.08 | 20 |  ↓ |
| Average number of days from debrief meeting to the issue of draft report | 1.33 | 3.77 | 2 |  ↓ |
| Days for departments to return draft reports | 5.20 | 13.85 | 3 |  ↓ |
| Average number of days from response to issue of final report | 1.93 | 1.77 | 2 |  ↑ |
| Total days from end of fieldwork to issue of final report | 11.79 | 29.47 | 27 |  ↓ |
| Client questionnaires responses as satisfied | 100% | 100% | 95% |  → |
| Productive audit days | 78% | 82% | 75% |  ↑ |
| Other Targets | | | | |
| Return of client satisfaction questionnaires | 71% | 14.29% | 70% |  ↓ |

Key  Target not achieved  Within 10% of target  Target Achieved

↑ Improving trend → No change ↓ Worsening trend

Investigations

| Ref | Date Referred | Investigation Details |
|---|---------------|--|
| 1. The following investigations have been reported to previous committees and are still being investigated | | |
| 1.1 | 05.11.2014 | Internal audit have been informed of the alleged theft of money from a Community Network House which has affected three service users. The Police have been informed. No further action is to be taken until the outcome of the police investigation is known. |
| 1.2 | 12.09.2014 | An investigation has been undertaken into suspected fraudulent activity regarding Concessionary Travel by one bus operator. The case has been referred to North Wales Police, who are currently investigating. The contract with this bus operator has been suspended and alternative arrangements have been put in place to ensure a continued service to the public. |
| 2. The following investigations have been completed | | |
| 2.1 | 05.07.2012 | An investigation has been concluded into alleged operational and financial irregularities within Streetscene and all disciplinary procedures have been concluded. A report on the control issues will be presented to the next committee meeting. |
| 2.2 | 29.07.2014 | Following information received concerning financial irregularities at a school, the investigation has been concluded and several financial irregularities were found. Management action has been taken to address the issues. |
| 2.3 | 17.02.2015 | A whistleblow was received concerning alleged inappropriate behaviour at a school. Following investigation the allegation was found to be unproven. |

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 3 JUNE 2015**

REPORT BY: **INTERNAL AUDIT MANAGER**

SUBJECT: **INTERNAL AUDIT ANNUAL REPORT 2014/15**

1.00 PURPOSE OF REPORT

1.01 To inform members of the outcome of all audit work carried out during 2014/15 and to give the annual Internal Audit opinion on the standard of internal control, risk management and governance within the Council.

2.00 BACKGROUND

2.01 The Internal Audit Manager is required to prepare a report summarising the outcome of all internal audit work undertaken during the year. This is part of the framework of assurances that assist the Council in preparing the Annual Governance Statement.

3.00 CONSIDERATIONS

3.01 The report outlines the role of the internal audit team and the professional standards that it must meet, the Public Sector Internal Audit Standards. It then includes a statement that the team Generally Conforms to those professional standards, as reported to the committee in March 2015.

3.02 It then gives the annual audit opinion – that FCC has an adequate and effective framework of governance, risk management, and internal control along with the scope and basis of that opinion.

3.03 The report gives the level of coverage of the audit team during the year and summarises the work undertaken during 2014/15. Summary information by Portfolio is provided on the assurance levels given to the reviews together with the categorisation and number of recommendations made.

3.04 The work on investigations and advisory work is outlined, together with the fraud awareness work that was completed during the year.

3.05 The overall performance of the team throughout the year against targets is then given, showing that most targets were met.

4.00 RECOMMENDATIONS

4.01 The committee is requested to consider the report and receive the internal audit annual opinion.

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 Annual Report.

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

None.

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Flintshire County Council

Internal Audit Annual Report

Year ended 31 March 2015

Presented at the Audit Committee meeting of: 3rd June 2015

Contents

| Section | Page |
|--|-------------|
| 1 Introduction | 1 |
| 2 Internal Audit Assurance for 2014/15 | 2 |
| Appendix A Internal Audit Opinions and Recommendations 2014/15 | 7 |

1 Introduction

1.1 The Definition and Role of Internal Audit

The definition of Internal Auditing in the Public Sector Internal Audit Standards (PSIAS) is as follows:

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

The role and responsibilities of the FCC Internal Audit department are outlined in the Internal Audit Charter, which has been approved by the Audit Committee and is part of the Constitution. It also specifies the department's independence, authority, scope of work and reporting arrangements. All audit work is carried out in accordance with the contents of the Charter.

The role of internal audit is to provide an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the framework of internal control, risk management and governance. Internal audit is therefore a key part of Flintshire County Council (FCC)'s assurance cycle and if used effectively can inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Council and Audit Committee, that assist the Council prepare the Annual Governance Statement.

1.2 Professional Standards

The professional responsibilities for internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. PSIAS is based on these Standards.

The Standards require the Audit manager to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of internal audit's conformance with the Standards. The QAIP must include both internal and external assessments. External assessments must be completed at least every five years.

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments

Ongoing monitoring of performance is in place. The quality of audit work is ensured by the use of an audit manual, ongoing supervision and management of staff and the review of all audit work. Performance targets are set and actual performance reported to quarterly Audit Committee meetings.

A self-assessment against the Standards has been completed and the results reported to the Audit Committee in March 2015. The assessment included a review of the QAIP showing actions taken to from the previous year and to maintain continuous improvement against the QAIP components.

The Internal Audit Department Generally Conforms to the Standards. That means that the relevant structures, policies and procedures of the department, as well as the processes by which they are applied, comply with the requirements of the standards and of the Code of

Ethics in all material respects. General Conformance does not require complete/perfect conformance, the ideal situation, etc.

2 Internal Audit Assurance for 2014/2015

2.1 Context

The internal audit service to FCC is required to provide the Council through the Audit Committee with an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In giving that opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

There have been no limitations made on the scope of Internal Audit coverage during the year.

2.2 Resources

The department started the year with a vacancy. This was filled from the start of July 2014 and the department has been fully resourced since then. For most of the year an Accounting Technician Trainee was seconded to the department, however this secondment was completed in early 2015. Overall therefore there was a slight shortfall in resources during the year against the original plan, however sufficient work was undertaken in order for me to draw a reasonable conclusion on the adequacy and effectiveness of FCC's arrangements.

2.3 Internal Audit Opinion

For the year ending 31 March 2015 based on the work we have undertaken my opinion is that FCC has an adequate and effective framework of governance, risk management and control.

Four audits were given a 'red' assurance level during the year (2013/14 six audits), where an urgent system revision was required. These audits were spread across a range of portfolios indicating that weaknesses are not concentrated in any one area. Whilst these audits indicated areas where controls needed to be improved, they are not significant in the context of the Authority's whole control environment.

2.4 Scope of the Internal Audit Opinion

In arriving at that opinion, I have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2015 (see Appendix A for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- Whether recommendations have been accepted by management and, if not, the consequent risks;
- Matters arising from previous reports or other assurance providers to the Audit Committee and/or Council;

No limitations have been placed on the scope of internal audit;

No resource constraints have been imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and

Where weaknesses have been identified I am happy that action plans are in place to address those weaknesses.

2.5 The Basis of the Opinion

In reaching this opinion the following factors were taken into particular consideration:-

Governance

A Corporate Governance Working Group operated during the year, charged with co-ordinating the annual governance self assessment and preparation of the annual governance statement. The group was chaired by the Democracy and Governance Manager and members included the Internal Audit Manager, the Policy Performance and Partnerships Manager, the Business Performance Officer and a Principal Accountant. The group issued corporate governance self-assessment assurance certificates to Chief Officers, reviewed and challenged the responses and reported the results. This process provided an opportunity for senior officers to consider the effectiveness of governance arrangements and a number of areas of continued improvement were identified. The group also considered the overall assurance framework and drafted the Annual Governance Statement. The Statement explains how Flintshire County Council complies with its own Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

During the year the Wales Audit Office completed a Corporate Assessment of Flintshire as part of its four year cycle of corporate assessments of improvement authorities in Wales. The assessment covered the following

- Performance and Outcomes
- Vision and Strategic Direction
- Governance and Accountability
- Use of Resources
- Collaboration and Partnerships
- Managing Improvement

The Auditor General has concluded that:

'The Council's track record suggests that it is likely to respond positively to the internal and external challenges it faces and make arrangements to secure continuous improvement for 2015-16.'

The judgment reflects the conclusions of the corporate assessment, that:

'The Council has made significant progress in a number of difficult areas during the last year; although it needs to strengthen aspects of its arrangements the Council is reasonably well placed to continue to deliver its priorities in the face of further financial challenges.'

'Despite some strengths and areas of progress, aspects of the Council's arrangements are not fully supporting decision-making and the delivery of the Council's agreed priorities.'

'The Council has taken significant strides forward in its use of resources and now needs to coordinate the elements more systematically in the face of future financial challenges.'

The Council has made good progress against the improvement priorities we looked at but its performance against the national indicators declined slightly.'

The Auditor General did not make any statutory recommendations with which the Council must comply. Instead seven advisory proposals for improvement were made.

Risk Management

Internal Audit reported on risk management at the start of the year, focusing on the identification and reporting of strategic and operational risks. The WAO Corporate Assessment also included risk management and one of the advisory proposals related to this area. In response the Authority is taking specific actions to enhance the risk matrix and the format of reporting. Quarterly progress reports against the Improvement Plan have been presented to Overview and Scrutiny Committees. More needs to be done with regards to operational, project and partnership risks, however the new electronic performance management system currently being introduced will help to address this.

The opinion is also informed by the total of risk based audit assignments completed during the year.

Internal Control

Audits were carried out in all areas of the Council during the year. The overall level of control found in audit assignments this year was good. 55% of audits resulted in a 'green' or 'amber +' assurance level. No area stood out as being worse than the others. In all cases the findings were reported to the Audit Committee. Recommendation implementation continued to show a high degree of compliance within the agreed timescale. Summary results are given in Appendix A, together with definitions of the assurance levels.

2.6 Level of audit coverage during the year

The number of audit days spent in each area compared to the original and revised plan is given in the table below

| | Planned days | Revised Plan days | Actual days |
|--------------------------------|--------------|-------------------|-------------|
| Corporate | 65 | 70 | 53 |
| Governance | 160 | 157 | 171 |
| People and Resources | 230 | 252 | 326 |
| Education and Youth | 110 | 131 | 111 |
| Social Services | 100 | 85 | 47 |
| Community and Enterprise | 110 | 126 | 171 |
| Planning and Environment | 40 | 25 | 21 |
| Streetscene and Transportation | 25 | 30 | 20 |
| Organisational Change | 65 | 40 | 27 |
| Investigations | 200 | 200 | 180 |
| Follow Ups | 50 | 30 | 35 |
| New Software | 55 | 55 | 63 |
| Regional Collaboration | 10 | 5 | 9 |
| Consultancy | 50 | 30 | 32 |
| Provisions | 110 | 70 | Note * |
| | | | |
| | | | |
| Total | 1380 | 1301 | 1266 |

Note * Used within other totals

The original annual plan showed 64 audits to be completed in 1380 days. This was changed in September 2014 to 73 audits in 1300 days. 8 audits were added to the plan during the year after management requests, with 16 audits deferred.

There is always a time lag in terms of the dates of audits, with the audit plan for any year not being completed at the end of March but in April/May. Additions and deferrals also make comparison of actual work completed against the plan more difficult. However, within 2014/15, 53 final reports were brought to the Audit Committee and at the time of this report a further 11 draft reports were awaiting finalisation. Three major areas within the Corporate section of the plan were completed without reports being produced, Corporate Governance and risk management as explained above and the North Wales Residual Waste Partnership. In overall terms, this shows that the plan was substantially achieved.

All the deferred audits were considered during the planning meetings for the 2015/16 to 2017/18 audit strategic plan. As a result, nine of them appear in the strategy. A further one was deferred too late to be included in the strategy but will be added to the 2015/16 work.

2.7 Assurance Levels

The tables in Appendix A show the assurance levels and recommendations made in 2014/15. The definitions for the assurance levels are given in the last page of this report.

2.8 Other Internal Audit Work

In addition to the reviews analysed in the Appendix, we have also carried out the following internal audit work during the year.

| Area of review | Comments |
|---------------------------|---|
| Schools CRSA | Control and Risk Self Assessment carried out. Responses received from 66 Primary schools and 12 Secondary Schools |
| Schools Audits | 3 schools audits, and audits of 3 school closures |
| Investigations | See below |
| National Fraud Initiative | 46 days on work relating to National Fraud Initiative |
| Advisory work | 32 days on advisory work in the year. |
| Grant audits | 3 audits of grants. |

2.9 Investigations

At the start of the year there were eight live investigations. During the year five more were started and nine were completed, leaving four ongoing investigations at the end of the year. Of the twelve new investigations, one was corporate, one related to Education and Youth, one to Social Services and two to Streetscene and Transportation. There is no pattern to the subjects of the investigations. The Education and Youth investigation started as a result of a whistleblowing.

2.10 Advisory work

This includes work that does not result in an audit report but adds value to the Authority by contributing to working groups or providing advice. Examples include advice on Community Chest, payroll queries, the Paris system and the Data Protection Team. More recently the department has been contributing to the development of Business Models and Feasibility Studies for Alternative Delivery Models.

2.11 Fraud Awareness

During the year the department presented an updated Whistleblowing Policy to the Audit Committee and Constitution Committee. Once it had been approved it was publicised in the Authority on the Infonet and by a message inserted into all payslips, and also to Members. There was no increase in whistleblowing as a result.

In addition, during the year the department presented an updated Anti-Fraud and Corruption Strategy and Fraud Response Plan to the Audit Committee. These were presented to the Constitution Committee in April 2015 and will be publicised in the same way.

2.12 Internal Audit Performance

The performance of the department against performance measures and targets is set out below.

Performance against target is reported to each quarterly Audit Committee, and is summarised in the table below. Most targets were met. The return of client questionnaires is disappointing, however it remains above the Welsh average of 54% (2013/14).

There was some disruption to departmental procedures during the year with the introduction of new integrated audit software. However, this was kept to a minimum and it is expected that performance will be improved during 2015/16 as the use of the software takes effect.

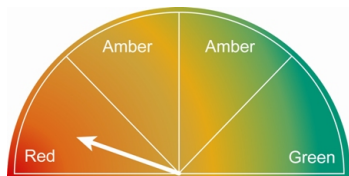
| Performance Measure | Q1 | Q2 | Q3 | Q4 | 14/15 | 14/15 Target |
|--|--------------|-------------|--------------|-------------|--------------|--------------|
| Audits completed within planned time | 70% | 100% | 88% | 78% | 84% | 80% |
| Average number of days from end of fieldwork to debrief meeting | 5.75 | 6.3 | 3.33 | 14.31 | 7.42 | 20 |
| Average number of days from debrief meeting to the issue of draft report | 5 | 2.2 | 1.33 | 3.77 | 3.08 | 2 |
| Days for departments to return draft reports | 7.5 | 15.9 | 5.2 | 13.85 | 10.61 | 3 |
| Average number of days from response to issue of final report | 1.5 | 0.6 | 1.93 | 1.77 | 1.45 | 2 |
| Total days from end of fieldwork to issue of final report | 19.75 | 25 | 11.79 | 33.7 | 22.56 | 27 |
| Client questionnaires responses as satisfied | 100% | 100% | 100% | 100% | 100% | 95% |
| Productive audit days | 75% | 73% | 78% | 82% | 77% | 75% |
| Other Targets | | | | | | |
| Return of client satisfaction questionnaires | 43% | 100% | 71% | 14% | 57% | 70% |

Appendix A: Internal Audit Opinions and Recommendations 2014/15

| Auditable Area | Audit Opinions | | | | | | Number of Recommendations made | | | | |
|------------------------------|----------------|-----------|-----------|-----------|------------------|-----------|--------------------------------|------------|------------|------------|------------|
| | Red | Amber - | Amber + | Green | No opinion given | In Total | High | Medium | Low | In Total | Agreed |
| Corporate | 0 | 0 | 2 | 0 | 0 | 2 | 1 | 4 | 4 | 9 | 9 |
| Governance | 1 | 3 | 3 | 2 | 1 | 10 | 2 | 35 | 15 | 52 | 52 |
| People & Resources | 2 | 4 | 2 | 5 | 1 | 14 | 7 | 28 | 31 | 71 | 66 |
| Education & Youth | 1 | 4 | 0 | 1 | 1 | 7 | 3 | 18 | 17 | 42 | 38 |
| Social Services | 0 | 1 | 0 | 2 | 0 | 3 | 0 | 4 | 7 | 11 | 11 |
| Community & Enterprise | 0 | 2 | 5 | 2 | 0 | 9 | 2 | 26 | 32 | 60 | 60 |
| Planning & Environment | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 5 | 5 | 10 | 10 |
| Streetscene & Transportation | 0 | 1 | 1 | 0 | 0 | 2 | 0 | 11 | 1 | 12 | 12 |
| Organisational Change | 0 | 1 | 1 | 0 | 0 | 2 | 0 | 8 | 8 | 16 | 16 |
| | | | | | | | | | | | |
| Total | 4 | 17 | 14 | 12 | 3 | 50 | 15 | 139 | 120 | 274 | 274 |

Urgent system revision required (one or more of the following)

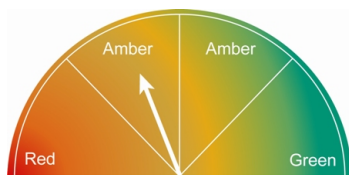
- Key controls are absent or rarely applied
- Evidence of (or the potential for) significant financial / other losses
- Key management information does not exist
- System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.



Impact: a lack of adequate or effective controls leading to a high probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.

Significant improvement in control environment required (one or more of the following)

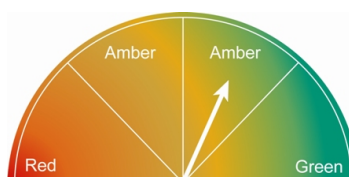
- Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively
- Evidence of (or the potential for) financial / other loss
- Key management information exists but is unreliable
- System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.



Impact: key controls are generally inadequate or ineffective and there is an increased probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.

Key Controls in place but some fine tuning required (one or more of the following)

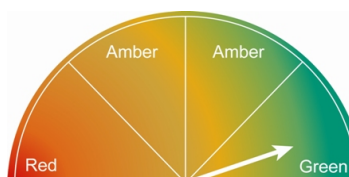
- Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact
- Some refinement or addition of controls would enhance the control environment
- Key objectives could be better achieved with some relatively minor adjustments



Impact: key controls generally operating effectively but there remains a potential risk of loss, fraud, impropriety or damage to reputation and / or failure to deliver organisational objectives.

Strong controls in place (all or most of the following)

- Key controls exist and are applied consistently and effectively
- Objectives achieved in a pragmatic and cost effective manner
- Compliance with relevant regulations and procedures
- Assets safeguarded
- Information reliable



Impact: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 3 JUNE 2015**
REPORT BY: **INTERNAL AUDIT MANAGER**
SUBJECT: **ACTION TRACKING**

1.00 **PURPOSE OF REPORT**

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

2.00 **BACKGROUND**

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

3.00 **CONSIDERATIONS**

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

4.00 **RECOMMENDATIONS**

4.01 The committee is requested to accept the report.

5.00 **FINANCIAL IMPLICATIONS**

5.01 None as a direct result of this report.

6.00 **ANTI POVERTY IMPACT**

6.01 None as a direct result of this report.

7.00 **ENVIRONMENTAL IMPACT**

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

12.01 Appendix A – Summary of Action Points.

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

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AUDIT COMMITTEE ACTION SHEET

| 7TH MAY 2014 | | | | |
|--------------------------------|---|--|----------------------------|--------------------------------|
| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
| 93 | Audit Committee self-assessment against CIPFA guide | The work of Internal Audit and the Policy, Performance and Partnerships team on external partnership governance and performance be shared with the Committee | Internal Audit Manager. | Review currently taking place. |

| 10TH DECEMBER 2014 | | | | |
|--------------------------------------|--------------------------------|---|----------------------------|--|
| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
| 42 | Internal Audit Progress Report | To share a report on the outcome of the Waste investigation with the Committee, once the process has completed. | Internal Audit Manager | Report to be brought to the Committee in July. |

10TH DECEMBER 2014

| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
|------------------------|--------------------------------|---|----------------------------|--|
| 42 | Internal Audit Progress Report | That the Internal Audit Manager make representations to the Wales Chief Auditors Group, on behalf of the Committee, for all Welsh Councils to participate in the benchmarking exercise. | Internal Audit Manager | To be raised at the next WCAG meeting. |

18TH MARCH 2015

| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
|------------------------|--------------------------------|---|----------------------------|--|
| 60 | Internal Audit Progress Report | To advise the Committee of the number of individuals within the Social Services team regarding the issue with the overpayment of suppliers. | Internal Audit Manager | 4 people within the Learning Difficulties team. Invoices now dealt with by the Financial Assessment and Charging Team. |

18TH MARCH 2015

| Agenda Item No. | Report | Action Required | Responsible Officer | Action Taken |
|------------------------|------------------------------------|--|---|--|
| 60 | Internal Audit Progress Report | To provide a breakdown of costs, by department, for mobile phones provided by the Council and a breakdown of the types of electronic devices (mobiles, iPads, etc) issued. | Internal Audit Manager | Paper brought to this committee |
| 63 | WAO Audit plan 2015 | To publish details on the Council's website of the grant recipients of the Welsh Church Fund, eligibility criteria and how to apply. | Policy and Performance Manager | Details now published on website |
| 65 | 2014/15 Treasury Management update | That future reports include the investment balance position from the previous quarter to show comparison | Finance Manager – Technical Accountancy | To be included in next report, July 2015. |
| 68 | Forward Work Programme | Include item on mobile phones at the next meeting in June 2015 | Internal Audit Manager | Paper presented to this meeting. |
| 68 | Forward Work programme | Report referring to Members' use of iPads / provision of paper copy agendas to be submitted to the next meeting of the Democratic Services Committee | Democracy and Governance Manager | Next meeting of the Democratic Services committee scheduled for 1 st July 2015. Training on iPads provided prior to this meeting. |

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**
DATE: **WEDNESDAY, 3 JUNE 2015**
REPORT BY: **INTERNAL AUDIT MANAGER**
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 as Appendix A. It has been compiled based on the work that has been done in previous years and from information received from the various contributors to the Committee.

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

4.00 **RECOMMENDATIONS**

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

5.00 **FINANCIAL IMPLICATIONS**

5.01 None as a result of this report.

6.00 **ANTI POVERTY IMPACT**

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None arising directly from this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.00 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Publication of this report constitutes consultation.

11.00 CONSULTATION UNDERTAKEN

11.01 Publication of this report constitutes consultation.

12.00 APPENDICES

12.01 Appendix A – Forward Work Programme.

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

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AUDIT COMMITTEE
FORWARD WORK PROGRAMME 2015/16

| MEETING DATE | AGENDA ITEM | AUTHOR |
|--------------------------|---|--|
| 15 July 2015 | <ul style="list-style-type: none"> • Draft Statement of Accounts • Supplementary Financial Information to Draft Statement of Accounts 2014/15 • Draft Annual Governance Statement • Treasury Management Update and Annual Report 2014/15 • Waste report • Action Tracking • Forward Work Programme | Gary Ferguson Liz Thomas Liz Thomas Gareth Owens Liz Thomas David Webster David Webster David Webster |
| 24 September 2015 | <ul style="list-style-type: none"> • Statement of Accounts 2014/15 • Audit of Financial Statements (WAO) • Internal Audit Progress Report • Action Tracking • Forward Work Programme | Gary Ferguson David Webster David Webster David Webster |
| 27 January 2016 | <ul style="list-style-type: none"> • Internal Audit Progress Report • Risk Management update • Corporate Governance Report • Treasury Management Mid-Year Update and Strategy • Annual Report on external inspections • Action Tracking • Forward Work Programme | David Webster Karen Armstrong Peter Evans Liz Thomas Peter Evans David Webster David Webster |

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|----------------------|--|--|
| 16 March 2016 | <ul style="list-style-type: none"> • Audit Plan (WAO) • Annual Improvement Report (WAO) • Treasury Management Update • Internal Audit Progress Report • Internal Audit Strategic Plan • PSIAS Compliance • Audit Committee Self Assessment • Action Tracking • Forward Work Programme • Private Meeting (WAO and IA) | <p>Karen Armstrong Liz Thomas David Webster David Webster David Webster David Webster David Webster David Webster</p> |
| 13 July 2016 | <ul style="list-style-type: none"> • Certification of Grants and Returns Report (WAO) • Draft Statement of Accounts • Supplementary Financial Information to Draft Statement of Accounts 2015/16 • Draft Annual Governance Statement • Treasury Management Update and Annual Report 2015/16 • Internal Audit Annual Report • Internal Audit Progress Report • Risk Management Update • Financial Procedure Rules • Action Tracking • Forward Work Programme | <p>Liz Thomas Gary Ferguson Liz Thomas</p> <p>Gareth Owens Liz Thomas</p> <p>David Webster David Webster Karen Armstrong Sara Dulson David Webster David Webster</p> |