

# Public Document Pack



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To: Cllr Helen Brown (Chair)

Councillors: Geoff Collett, Chris Dolphin, Andy Dunbobbin, Andrew Holgate,  
Paul Johnson and Arnold Woolley

**Co-opted Member:**  
Sally Ellis

13 November 2018

Dear Sir/Madam

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 21st November, 2018 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

## A G E N D A

### 1 **APOLOGIES**

**Purpose:** To receive any apologies.

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

**Purpose:** To receive any Declarations and advise Members accordingly.

### 3 **MINUTES** (Pages 5 - 10)

**Purpose:** To confirm as a correct record the minutes of the meeting on 12 September 2018.

### 4 **ANNUAL IMPROVEMENT REPORT OF THE AUDITOR GENERAL FOR WALES** (Pages 11 - 40)

Report of Chief Executive - Cabinet Member for Corporate Management and Assets

**Purpose:** To receive the Annual Improvement Report from the Auditor General for Wales and note the Council's response.

5 **ASSET DISPOSAL AND CAPITAL RECEIPTS GENERATED 2017/18**  
(Pages 41 - 48)

Report of Chief Officer (Housing and Assets) - Cabinet Member for Corporate Management and Assets

**Purpose:** To inform Members of the 2017/18 Assets Disposals.

6 **TREASURY MANAGEMENT MID-YEAR REVIEW 2018/19 & QUARTER 2 UPDATE** (Pages 49 - 74)

Report of Corporate Finance Manager - Leader of the Council and Cabinet Member for Finance

**Purpose:** To present the draft mid-year Treasury Management report 2018/19 for review, with an update on the Council's Treasury Management activity during the period 1st July to 31st September 2018.

7 **USE OF CONSULTANTS** (Pages 75 - 78)

Report of Chief Executive - Cabinet Member for Corporate Management and Assets

**Purpose:** To consider compliance with processes and procedures around consultancy spend, and the accuracy of coding of consultancy spend on the general ledger.

8 **CLWYD PENSION FUND GOVERNANCE** (Pages 79 - 88)

Report of Clwyd Pension Fund Manager -

**Purpose:** To provide assurance on the governance arrangements of the Clwyd Pension Fund and the value for money of fund manager fees.

9 **INTERNAL AUDIT PROGRESS REPORT** (Pages 89 - 164)

Report of Internal Audit Manager -

**Purpose:** To present to the Committee an update on the progress of the Internal Audit Department.

10 **GENERAL DATA PROTECTION REGULATIONS (GDPR) COMPLIANCE**  
(Pages 165 - 176)

Report of Chief Officer (Governance) - Cabinet Member for Corporate Management and Assets

**Purpose:** To report the findings of the Internal Audit Review of the General Data Protection Regulations Compliance.

11 **AUDIT COMMITTEE SELF-ASSESSMENT** (Pages 177 - 194)

Report of Internal Audit Manager -

**Purpose:** To inform Members of the results of the Audit Committee self-assessment which will feed into the preparation of the Annual Governance Statement 2017/18. It will also form the basis for the provision of any further training required by the committee.

12 **AUDIT COMMITTEE TERMS OF REFERENCE AND CHARTER** (Pages 195 - 234)

Report of Internal Audit Manager -

**Purpose:** To seek Members' agreement to changes to the Audit Committee Terms of Reference and Charter, Article Seven of the Council's Constitution.

13 **ACTION TRACKING** (Pages 235 - 238)

Report of Internal Audit Manager -

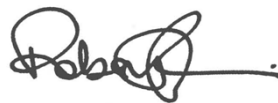
**Purpose:** To inform the Committee of the actions resulting from points raised at previous Audit Committee meetings.

14 **FORWARD WORK PROGRAMME** (Pages 239 - 246)

Report of Internal Audit Manager -

**Purpose:** To consider the Forward Work Programme of the Internal Audit Department.

Yours faithfully



Robert Robins  
Democratic Services Manager

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## **AUDIT COMMITTEE** **12 SEPTEMBER 2018**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 12 September 2018

### **PRESENT: Councillor Helen Brown (Chair)**

Councillors: Geoff Collett, Chris Dolphin, Andrew Holgate, Paul Johnson and Arnold Woolley

**APOLOGY:** Sally Ellis (co-opted member)

**ALSO PRESENT:** Councillors Haydn Bateman, Dave Healey, Patrick Heesom, Billy Mullin and Ian Roberts attended as observers

### **IN ATTENDANCE:**

Chief Executive; Chief Officer (Governance); Internal Audit Manager; Corporate Finance Manager; and Democratic Services Officer

Richard Harries and Mike Whiteley of Wales Audit Office

Interim Finance Manager (Technical Accountancy) and Technical Accountant - for minute number 22

Chief Officer (Education & Youth) and Finance Manager (People & Resources) - for minute number 23

## **20. DECLARATIONS OF INTEREST**

None.

## **21. MINUTES**

The minutes of the meeting held on 11 July 2018 were submitted.

### **RESOLVED:**

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

## **22. STATEMENT OF ACCOUNTS 2017/18**

The Corporate Finance Manager presented the final version of the Statement of Accounts 2017/18 with the Wales Audit Office (WAO) reports in connection with the audit of the financial statements and Letter of Representation for Flintshire County Council. A full written response had been provided to questions raised at the draft stage with no further queries raised by Members since. It was confirmed that all material misstatements were presentational only and had been included in the final version. As part of the Council's response to the audit findings, attention was drawn to the need to update the accounting policy for accruals of income and

expenditure. It was reassuring to note comments by WAO recognising that the accounts had been prepared to a good standard and supported by detailed and timely working papers.

A copy of the Clwyd Pension Fund Statement of Accounts, for which approval had been delegated to the Clwyd Pension Fund Committee, were also shared for information and completeness. These had been formally approved on 5 September 2018.

As a change to the usual practice, Richard Harries of WAO presented the ISA 260 report by way of a presentation covering:

- Overall conclusion
- Auditor General's responsibilities
- Audit position and issues arising from the audit
- 2018-19 and future years

He commented on the high quality of the accounts which would be given an unqualified ('clean') audit opinion by the Auditor General for Wales. He said that there had been positive engagement between Council officers and WAO throughout the process and that the findings had been discussed with management to help identify further improvements. He explained the concept of materiality adopted for auditing the financial statements and commended the Council's achievements in completing the work at an earlier stage in advance of changes to statutory deadlines which would be a challenge for all involved. To facilitate this, discussions were planned to consider how to work together to improve the process to help the Council further develop its early closure arrangements.

The Corporate Finance Manager and Interim Finance Manager were thanked by the Chief Executive and WAO colleagues for their work on the accounts during the audit process. The Pensions Finance Manager was also thanked for her work on the Clwyd Pension Fund accounts which had been well received.

The Chief Executive welcomed the team effort on the audit and the high level of assurance given by WAO. He spoke positively about corporate ownership of the accounts and the effective role of the Accounts Governance Group in overseeing the accounts, which would continue. He said that the retention of sufficient capacity within the Finance function to meet future compressed statutory deadlines should be recognised during forthcoming discussions on budget options for 2019/20.

Following comments on the presentation used to convey the audit findings, Richard Harries said that a considered view would be taken by WAO on the best approach to be used at future meetings.

**RESOLVED:**

- (a) That the final version of the Statement of Accounts 2017/18 be recommended for approval by County Council;
- (b) That the WAO ISA 260 presentation be noted; and

- (c) That the Letter of Representation be recommended for acceptance by County Council.

### **23. SCHOOL RESERVE BALANCES YEAR ENDING 31 MARCH 2018**

The Chief Officer (Education & Youth) and Finance Manager (People & Resources) presented a report on the reserves held by Flintshire schools as at 31 March 2018. In comparison with March 2017, a total decrease of 11% was reported.

The summary position showed that a 47% increase in the net deficit of reserves held by secondary schools was offset by a 15% increase in primary reserves. Although the school maintenance grant allocated by Welsh Government (WG) had improved the outturn position of school reserve balances, the level held by secondary schools with positive balances was less than 2% of budget. The impact of continuing austerity measures was amongst a number of contributing factors which resulted in schools having to absorb the cost of inflationary increases. Future changes in demographics would result in a redistribution of funding between primary and secondary sectors.

The Chief Officer spoke about the complexities in managing school budgets during the continuing period of austerity and the position was being monitored. Ongoing support from colleagues in Human Resources and Finance to help Head Teachers to develop robust strategies had been welcomed by schools. Clarification was given on the approach to dealing with deficit balances and work was being undertaken to identify schools at risk of moving into this position so that support could be targeted. Secondary schools had access to the national schools benchmarking tool developed by WG, which was now being adapted for the primary sector.

The Chief Executive said that the level of school reserves was a concern and reflected a similar position in schools across the UK in the context of significant budget constraints. All schools were required to adopt effective business planning, however this was only sustainable with an increase in national funding on which representations had been made. He said that a deteriorating deficit overall position on school balances in Flintshire was a corporate risk to the Council and asked that this be recorded as a live ongoing risk in the Medium Term Financial Strategy.

Councillor Dolphin sought clarification on the efficiency metric as part of the benchmarking tool. The Finance Manager explained that a range of school data was assessed, which enabled comparison of costs between schools of a similar profile to help identify improved ways of working.

In response to a question from Councillor Johnson, the Chief Officer explained work with the Admissions team to model current statistics within the system to generate broad assumptions on future admission levels. The same approach was used for faith-based and Welsh medium schools.

The Chair gave a reminder that applications for school places could be made through the Admissions department.

**RESOLVED:**

That the school reserves balances as at 31 March 2018 be noted.

**24. ANNUAL REVIEW OF STRATEGIC RISKS**

The Chief Executive presented the annual position statement on the strategic risks contained within the Council's 2017/18 Council Plan. This was to assure the Committee that the risk levels that were under the Council's control were moving in a positive direction and being successfully managed.

It was reported that the 48 strategic risks within the Council Plan had been successfully managed, with the majority assessed as minor/insignificant or moderate, which was an improved position from the initial risk assessment. The risk profile was largely unchanged over the period with 12 major (red) risks remaining, many of which were reliant on external factors. During a summary of the red risks, good progress was reported on work being undertaken to improve the timeliness of Disabled Facility Grants. On residential and nursing home care bed availability, it was hoped that the expansion of Marleyfield would impact positively on the risk status. The matching of school places with changing demographics would need to be informed by the Local Development Plan (LDP) process. To meet the scale of the financial challenge, budget workshops had been scheduled to consider a range of options to balance the budget for 2019/20, however this was dependent on a positive financial settlement from Welsh Government.

**RESOLVED:**

That the Committee notes the status for the 2017/18 end of year summary of the strategic risks of the Council priorities; endorsing the successful management of risks, where these are in control by the Council.

**25. ACTION TRACKING**

The Internal Audit Manager presented the progress update report on actions arising from previous meetings. On the management of strategic risks arising from the March 2018 meeting, she reported that an initial meeting had been arranged for 1 October for Chairs and Vice-Chairs to agree on Terms of Reference.

The Chief Officer (Governance) said that the meeting would address the question previously raised by Sally Ellis on the respective roles of the Audit Committee and Overview & Scrutiny committees.

The Chief Executive advised that the action tracking reporting mechanism - which was an effective tool for the Audit Committee - was to be piloted with all Overview & Scrutiny committees, starting with Corporate Resources.



Councillor Dolphin expressed his disappointment with the written update on progress with Greenfield Valley Heritage Park provided after the last meeting. He declined the offer of a further update.

**RESOLVED:**

That the report be accepted.

**26. FORWARD WORK PROGRAMME**

The Forward Work Programme was received for consideration and detailed the movements since last reported.

**RESOLVED:**

- (a) That the Forward Work Programme be accepted; and
- (b) That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

**27. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC**

There was one member of the press in attendance.

The meeting commenced at 10am and finished at 10.55am

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**Chair**

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## AUDIT COMMITTEE

Date of Meeting	Wednesday 21 November 2018
Report Subject	Annual Improvement Report 2017/18 of the Auditor General for Wales
Report Author	Chief Executive

### EXECUTIVE SUMMARY

This Annual Improvement Report (AIR) summarises the audit and regulatory work undertaken at the Council by the Wales Audit Office since the last report was published in September 2017.

Overall the Auditor General for Wales has reached a positive conclusion. *“The Council is meeting its statutory requirements in relation to continuous improvement”*.

No formal recommendations have been made during the year.

There are four new voluntary proposals for improvement.

### RECOMMENDATIONS

1.	To be assured by the Auditor General for Wales’ Annual Improvement Plan for 2017/18.
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### REPORT DETAILS

<b>1.00</b>	<b>The Annual Improvement Report</b>
1.01	The Auditor General under the Local Government (Wales) Measure 2009 (Measure) undertakes and publishes an annual improvement report for all Welsh Councils, Fire and Rescue Authorities and National Park Authorities.

1.02	This is the eighth Annual Improvement Report for Flintshire. The format for this and the previous year's report is different from previous years in that it is a summary of the audit, regulatory and inspection work carried out in 2017/18.
1.03	Overall the Auditor General has concluded that: <i>"The Council is meeting its statutory requirements in relation to continuous improvement"</i> .
1.04	The Auditor General has not made any statutory recommendations with which the Council must comply.
1.05	There are four new voluntary proposals for improvement in the review of "Overview and Scrutiny – Fit for the Future?" report. This report has been considered by the Council's Group Leaders (September), the Constitution and Democratic Services Committee (October) and the Audit and Scrutiny Liaison Committee (November).

<b>2.0</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no specific resource implications as part of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Audit Committee will be receiving a future report relating to all external regulatory work as part of their Forward Work programme.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Findings from the Wales Audit Office are risk managed as part of regular monitoring.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<b>Appendix 1:</b> Annual Improvement Report September 2018

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Karen Armstrong, Corporate Business and Communications Executive Officer <b>Telephone:</b> 01352 702740 <b>E-mail:</b> <a href="mailto:karen.armstrong@flintshire.gov.uk">karen.armstrong@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Annual Improvement Report:</b> The Annual Improvement Report is publicised by the Wales Audit Office (WAO) on behalf of the Auditor General for Wales. It brings together, with the input of other inspectorates such as Estyn and the Care and Social Services Inspectorate for Wales (CSSIW), a summary of the regulatory work of the past year.
7.02	<b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2017-18

## Flintshire County Council

Issued: September 2018  
Document reference: 744A2018-19



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Gwilym Bury, Charlotte Owen, Paul Goodlad, Richard Hayward and Jeremy Evans under the direction of Huw Rees.

**Adrian Crompton**  
**Auditor General for Wales**  
**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.



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# Summary report

## 2017-18 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Flintshire County Council's (the Council) own mechanisms for review and evaluation. For 2017-18, we undertook improvement assessment work at all councils. We also undertook work at all councils in relation to the Wellbeing of Future Generations Act, and a service-user-perspective themed review. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2017-18.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 1](#).

## The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2018-19.

## Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection, and publish a report and make recommendations; and
  - recommend to ministers of the Welsh Government that they intervene in some way.
- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, we have made a number of proposals for improvement and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

## Audit, regulatory and inspection work reported during 2017-18

### Exhibit 1: audit, regulatory and inspection work reported during 2017-18

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant.

Issue date	Brief description	Conclusions	Proposals for improvement
August 2018	<p><b>Service User Perspective Review</b></p> <p>To understand the 'service user perspective' at every Council within Wales. In Flintshire County Council, we reviewed the Housing service. In particular, whether the Council was using the experiences and aspirations of service users to inform the design and delivery of services for the Welsh Housing Quality Standard (WHQS).</p>	<p><b>The Council is making good progress towards achieving the Welsh Housing Quality Standard and most Council tenants are satisfied with the quality of the service and their homes.</b></p> <p>We came to this conclusion because:</p> <ul style="list-style-type: none"> <li>• The Council is making good progress towards achieving Welsh Housing Quality Standard by December 2020;</li> <li>• Tenant engagement has worked well in the past with good officer involvement and the Council is actively developing new approaches to ensure everyone continues to have a voice;</li> <li>• Most Council tenants are satisfied with the quality of the service and their homes; and</li> <li>• Tenants can access the services they need, and the Council has tried to address the impact of service change.</li> </ul>	None

Issue date	Brief description	Conclusions	Proposals for improvement
August 2018	<p><b>Overview and Scrutiny – Fit for the future?</b></p> <p>Review focused on how ‘fit for the future’ their scrutiny functions are. We considered how the Council is responding to current challenges, including the Well-being of Future Generations (Wales) Act 2015 and how the Council is beginning to carry out scrutiny of Public Service Boards. We also examined how well placed the Council is to respond to future challenges such as continued pressure on public finances and the possible move towards more regional working between local authorities.</p>	<p><b>The Council values its overview and scrutiny function and is taking steps to promote effective scrutiny, however, better work planning, use of a wider range of scrutiny methods and routine evaluation of the impact of scrutiny activity will help in responding to current and future challenges.</b></p> <p>Key conclusions from the report:</p> <ul style="list-style-type: none"> <li>• The Council is creating a positive environment for Overview and Scrutiny to operate effectively, but continuous work is needed to keep up that momentum and ensure that officers’ and committee members’ understanding of and commitment to its purpose is maintained;</li> <li>• Overview and scrutiny committees are increasing their use of different sources to inform their work, and recognise the need to ensure that work planning has more rigour and to consider alternative ways of undertaking scrutiny activity to gather evidence from a wider range of sources; and</li> <li>• Arrangements to evaluate overview and Scrutiny are under-developed, and there are few examples where overview and scrutiny activity has had an impact.</li> </ul>	<p>P1 The Council should undertake regular self-assessment of its overview and scrutiny function, to consider its impact, and identify areas for improvement.</p> <p>P2 Further develop scrutiny forward work programing to:</p> <ul style="list-style-type: none"> <li>• ensure that the method of scrutiny is best suited to the topic area and the outcome desired and consider more innovative methods for undertaking scrutiny activity.</li> </ul> <p>P3 Overview and scrutiny committees should improve their arrangements for promoting the engagement of the public and other stakeholders in scrutiny activity.</p> <p>P4 The Council should review the support arrangements for overview and scrutiny in light of current and future challenges.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
November 2017	<p><b>Annual Audit Letter 2016-17</b></p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in <a href="#">Appendix 2</a> of this report.</p>	<ul style="list-style-type: none"> <li>Flintshire County Council complied with its responsibilities relating to financial reporting and use of resources.</li> <li>Whilst I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, its financial outlook represents a significant challenge.</li> <li>My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems.</li> </ul>	None
<b>Improvement planning and reporting</b>			
October 2017	<p><b>Wales Audit Office annual improvement plan audit</b></p> <p>Review of the Council's published plans for delivering on improvement objectives.</p>	The Council has complied with its statutory improvement planning duties.	None
November 2017	<p><b>Wales Audit Office annual assessment of performance audit</b></p> <p>Review of the Council's published performance assessment.</p>	The Council has complied with its statutory improvement reporting duties.	None
<b>Reviews by inspection and regulation bodies</b>			
No reviews by Estyn or Care Inspectorate Wales (CIW) of Flintshire County Council have taken place during the time covered in this report although local inspection work of schools and service providers has taken place.			

# Appendices

## Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

## Appendix 2 – Annual Audit Letter

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

**Reference:** 252A2017-18

**Date issued:** 28 November 2017

Dear Aaron and Colin,

### Annual Audit Letter Flintshire County Council 2016-17

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

#### The Council complied with its responsibilities relating to financial reporting and use of resources

It is Flintshire County Council's (the Council) responsibility to:

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

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

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



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

I issued an unqualified audit opinion on the 2016/17 financial statements confirming they present a true and fair view of the Council, its Group, and Pension Fund's financial position and transactions on 29 September 2017. My report is contained within the financial statements and the key matters arising from the audit were:

- The Council's draft financial statements were prepared to a good standard and were supported by comprehensive and timely working papers, helping us to achieve the overall completion timetable.
- Progress was made in reviewing the potential liabilities arising from former waste disposal sites.
- With the advent of earlier production and publication of local government annual accounts by the end May and July respectively from 2020-21, the Council should identify opportunities for streamlining its closedown processes. The continuing role of the Accounts Governance Group should assist the Council with this challenge, helping to ensure that it is viewed as a corporate responsibility rather than something that impacts solely on the finance team.
- The Pension Fund's draft financial statements were not prepared to the standard consistently achieved in previous years. We identified a number of accounting errors and a large number of discrepancies with supporting working papers, which resulted in the financial statements being corrected. We also encountered some prolonged delays in receiving responses to audit queries. Officers advised us that the difficulties in part arose due to extenuating internal circumstances arising from staffing issues during the closedown process.

The key matters arising from the accounts audit were reported in detail to members of the Council in my Audit of Financial Statements report on the 27 September 2017.

I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2017.

We held a joint post project learning exercise with Council finance officers on 16 November 2017 and identified areas we can both learn from this year, in preparation for the earlier production of the financial statements. We will continue holding regular meetings with officers to take any issues forward and to start preparations for future challenges referred to above.

Whilst I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, its financial outlook represents a significant challenge

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

The Council has acknowledged its significant financial challenges and anticipates an operating deficit of £1.1 million for the financial year ending the 31 March 2018. The Council has reported that the projected operating deficit is largely due to the materialisation of known significant risks within the Streetscene and Transportation portfolio. The Council currently anticipates using its contingency reserve to offset the operating deficit, but this is not sustainable. The Council has confirmed that this is the first time it has had to use its contingency reserve to meet an unplanned deficit and this is because its ability to identify additional in year savings is restricted by the overall financial pressures it is facing.

Furthermore, the Council faces significant financial challenges in 2018-19, and is currently forecasting a minimum annual funding gap of £13.6 million, excluding increases in Council tax. To date, savings plans have not been identified to fully bridge the gap which represents a significant risk to the Council being able to meet its statutory responsibilities to set a balanced budget. The Council has informed us that it recognises that without additional support from the Welsh Government, it will not be able to produce a balanced budget. As part of the final phase of its budget setting over the next few months, the Council needs to explore all available options for bridging the funding gap and develop comprehensive and robust plans to deliver the necessary financial savings. Whilst reserves provide a temporary cushion against financial pressures, the Council has used its reserves over recent years to support revenue expenditure which cannot be considered as a sustainable long-term strategy. At 31 March 2014 the Council's Revenue Reserves stood at £48 million but had reduced to £31 million by 31 March 2017. Whilst this reduction includes the use of one-off earmarked reserves such as single status, other reserves are being used to meet financial pressures and in year overspends. The Council has acknowledged that it is at a high risk of becoming financially unsustainable as it continues to face unprecedented financial challenges in the short and medium term. We will continue to monitor progress over the coming months.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems

My ongoing work on the certification of grants claims and returns has not identified any significant issues to date in relation to the accounts or the Council's key financial systems. A more detailed report on my grant certification work will follow in the spring 2018 once this year's programme of certification work is complete.

The financial audit fee for 2016-17 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Herniman', written in a cursive style.

**John Herniman**  
**Engagement Director**  
**For and on behalf of the Auditor General for Wales**

## Appendix 3 – National report recommendations 2017-18

### Exhibit 2: national report recommendations 2017-18

Summary of proposals for improvement relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR.

Date of report	Title of review	Recommendation
June 2017	<a href="#"><u>Savings Planning in Councils in Wales</u></a>	The report did not include any recommendations or proposals for improvement, although proposals for improvement were included in local reports issued to each Council.
October 2017	<a href="#"><u>Public Procurement in Wales</u></a>	The report contained seven recommendations. Six of the recommendations were for the Welsh Government, one of the recommendations was for public bodies: R3 It was clear from our sampling that some procurement strategies are out of date and there has also been a mixed response to new policy and legislation, such as the Well-being of Future Generations (Wales) Act 2015. We recommend that public bodies review their procurement strategies and policies during 2017-18 and on an annual basis thereafter to ensure that they reflect wider policy and legislative changes and support continuous improvement.
October 2017	<a href="#"><u>Good governance when determining significant service changes – National Summary</u></a>	The report did not include any recommendations or proposals for improvement, although proposals for improvement were included in local reports issued to each Council. The report was designed primarily to provide insight, share existing practice and prompt further conversations and discussions between councils and other organisations.
December 2017	<a href="#"><u>Local Government Financial Reporting 2016-17</u></a>	The report did not include any recommendations or proposals for improvement.

Date of report	Title of review	Recommendation
January 2018	<a href="#">How Local Government manages demand – Homelessness</a>	<p>R1 Implementing the Housing (Wales) Act 2014 requires local authorities to develop services which are focussed on preventing homelessness and reducing demand. These are very different to traditional casework led homelessness services, and prevention work requires new skills and early interaction with users and potential users. We found local authorities' progress in revising and strengthening services is variable (paragraphs 1.12 to 1.20). <b>We recommend that local authorities:</b></p> <ul style="list-style-type: none"> <li>• ensure their staff are sufficiently skilled to deal with the new demands of mediating, problem solving, negotiating and influencing with homeless people; and</li> <li>• review and reconfigure their services to engage more effectively with homeless and potentially homeless people to prevent homelessness.</li> </ul> <p>R2 The Welsh Government provided funding to support local authorities to implement the Housing (Wales) Act 2014 and this funding has been critical in enabling new preventative services to be developed. The funding is in place until 2019-20 but authorities need to ensure they use headspace provided by these resources to revise their services to deliver their responsibilities in the future (paragraphs 1.21 to 1.28). <b>We recommend that local authorities review their funding of homelessness services to ensure that they can continue to provide the widest possible preventative approach needed. Reviews should consider use of Supporting People as well as General Council fund monies to support delivery of the authority's homelessness duties.</b></p> <p>R3 How services are configured and managed at the first point of contact can significantly influence how effective local authorities are in managing and reducing demand. Easy to access services which maximise usage, avoid gate keeping and focus on early solutions can significantly improve the prospects for successful homelessness prevention. We found that some authority point of entry systems are poorly designed which reduces the authority's prospects for early intervention to prevent homelessness from occurring (paragraphs 2.4 to 2.11). <b>We recommend that local authorities:</b></p> <ul style="list-style-type: none"> <li>• design services to ensure there is early contact with service users;</li> <li>• use 'triage' approaches to identify and filter individuals seeking help to determine the most appropriate response to address their needs; and</li> <li>• test the effectiveness of first point of contact services to ensure they are fit for purpose.</li> </ul>

Date of report	Title of review	Recommendation
January 2018	<a href="#">How Local Government manages demand – Homelessness</a>	<p>R4 Establishing clear standards of service that set out what the authority provides and is responsible for is critical to ensuring people know what they are entitled to receive and what they need to resolve themselves. We found that authorities are not always providing clear, concise and good quality information to help guide people to find the right advice quickly and efficiently (paragraphs 2.12 to 2.17). <b>We recommend that local authorities publish service standards that clearly set out what their responsibilities are and how they will provide services to ensure people know what they are entitled to receive and what they must do for themselves. Service standards should:</b></p> <ul style="list-style-type: none"> <li>• be written in plain accessible language.</li> <li>• be precise about what applicants can and cannot expect, and when they can expect resolution.</li> <li>• clearly set out the applicant’s role in the process and how they can help the process go more smoothly and quickly.</li> <li>• be produced collaboratively with subject experts and include the involvement of people who use the service(s).</li> <li>• effectively integrate with the single assessment process.</li> <li>• offer viable alternatives to the authority’s services.</li> <li>• set out the appeals and complaints processes. These should be based on fairness and equity for all involved and available to all.</li> </ul> <p>R5 Local authorities need to design services to engage with service users effectively and efficiently, but current standards are too variable to ensure service users are getting access to the advice they need (paragraphs 2.18 to 2.24). <b>To improve current performance we recommend that local authorities make better use of their websites to help manage demand by:</b></p> <ul style="list-style-type: none"> <li>• testing the usability and effectiveness of current website information using our lines of enquiry set out in Appendix 5;</li> <li>• increasing and improving the range, quality and coverage of web based information; making better use of online applications; and</li> <li>• linking more effectively to information from specialist providers and advice specialists, such as Citizens Advice.</li> </ul> <p>R6 The Housing (Wales) Act 2014 introduces a new duty on social services and housing associations to collaborate with local authority homelessness services in preventing homelessness. We found that these arrangements are not operating effectively and service responses to prevent homelessness and assist homeless people are not always being provided, nor are they consistently effective (paragraphs 3.13 to 3.25). <b>We recommend that local authorities set out and agree their expectations of partners identifying how they will work together to alleviate homelessness. The agreement should be reviewed regularly and all partners’ performance reviewed to identify areas for improvement.</b></p>

Date of report	Title of review	Recommendation
January 2018	<a href="#">How Local Government manages demand – Homelessness</a>	<p>R7 Local authorities monitoring systems and evaluation approaches to ensure compliance with their responsibility under the Equality Act 2010 and the Public Sector Equality Duty are not working as well as they should (paragraph 3.35 to 3.39). <b>We recommend that local authorities address weaknesses in their equalities monitoring, and ensure that their homelessness service accurately records and evaluates appropriate data to demonstrate equality of access for all service users that the local authority has a duty towards.</b></p> <p>R8 Managing demand can be challenging for local authorities. There are some clear lessons to be learnt with regard to the implementation of the Housing (Wales) Act 2014 and homelessness prevention duties that can be applied to managing demand in other services (paragraphs 4.24 to 4.27). <b>We recommend that local authorities use the checklist set out in Appendix 10 to undertake a self-assessment on services, to help identify options to improve how they can help manage demand.</b></p>

Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>The report contained nine recommendations. One of the recommendations was for the Welsh Government, eight of the recommendations were for local authorities and/or delivery organisations:</p> <p>R1 There are many sources of funding and policies for adaptations, which results in disabled and older people receiving very different standards of service (paragraphs 1.5 to 1.9). To address these discrepancies <b>we recommend that the Welsh Government set standards for all adaptations to ensure disabled and older people receive the same standard of service irrespective of where they live, who their landlord is and whether they own their own home.</b></p> <p>R2 Most public bodies are clear on how their work on adaptations can positively impact on disabled and older people, and have set suitable aims that provide focus for action. For adaptations, having the right strategic goals also establishes a clear basis for decision-making on who should be prioritised for services and how and where to use resources. However, we found that current policy arrangements have a number of deficiencies and public bodies are not maximising the benefit of their investment (paragraphs 3.8 to 3.15). <b>We recommend that local authorities work with partner agencies (health bodies, housing associations and Care and Repair) to strengthen their strategic focus for the provision of adaptations by:</b></p> <ul style="list-style-type: none"> <li>• setting appropriate strategic objectives for adaptations that focus on wellbeing and independence;</li> <li>• improving the quality of information on the demand for adaptations by using a wide range of data to assess need including drawing on and using information from partners who work in the local-authority area; and</li> <li>• linking the system for managing and delivering adaptations with adapted housing policies and registers to make best use of already adapted homes.</li> </ul> <p>R3 Ensuring that all those who might need an adaptation have all the information they need in order to apply for and receive an adaptation is important. Good-quality and accessible information is therefore essential for delivery organisations to demonstrate fair access and transparency. However, we identified weaknesses in the quality and coverage of public information relating to housing adaptations (paragraphs 2.6 to 2.15). <b>We recommend that delivery organisations provide information on housing adaptations in both Welsh and English, and accessible formats including braille, large fonts, audio versions and other languages. Information should be promoted widely via a range of media including social media, websites and published information, and also through key partners. Preferably, information should be produced jointly and policies aligned between delivery bodies to improve coverage and usage.</b></p>



Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>R4 Given the wide number of routes into services, delivery organisations need to ensure they have robust systems to deal effectively and quickly with applications. However, we found that the processes used by delivery organisations vary widely and often create difficulties for disabled and older people seeking assistance (paragraphs 2.16 to 2.19). <b>We recommend that delivery organisations streamline applications by creating single comprehensive application forms covering all organisations within a local-authority area that are available via partners and online.</b></p> <p>R5 Delivery of adaptations can be delayed by a variety of factors (paragraphs 2.20 to 2.33). To improve timeliness in delivery <b>we recommend that:</b></p> <ul style="list-style-type: none"> <li>• the Welsh Government reviews whether local authorities should continue to use the means test for Disabled Facilities Grants (DFGs);</li> <li>• local authorities provide or use home improvement agency services to support disabled and older people to progress their DFG applications efficiently;</li> <li>• delivery organisations work with planning authorities to fast track and streamline adaptations that require approvals;</li> <li>• delivery organisations use Trusted Assessors to undertake less complex adaptation assessments; and</li> <li>• the Welsh Government streamlines its approval processes for Physical Adaptation Grants (PAGs).</li> </ul>

Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>R6 Most local authorities, housing associations and Care and Repair agencies have established processes to appoint, oversee and manage builder and/or contractor performance. However, we found wide variations in how delivery organisations arrange, contract and deliver building works (paragraphs 2.37 to 2.44). <b>We recommend that delivery organisations:</b></p> <ul style="list-style-type: none"> <li>• introduce formal systems for accrediting contractors to undertake adaptations. These should include: <ul style="list-style-type: none"> <li>– standards of customer care such as keeping to appointments, keeping the site tidy, controlling noise etc;</li> <li>– vetting of financial standing, tax and VAT status;</li> <li>– promoting good health and safety practices;</li> <li>– requiring the use of warranty schemes;</li> <li>– ensuring that adequate insurance is held; and</li> <li>– requiring references.</li> </ul> </li> <li>• use framework agreements and partnered contracts to deliver adaptations;</li> <li>• address weaknesses in the contracting of adaptations, updating Schedule of Rates used to tender work and undertaking competitive tendering to support value for money in contracting;</li> <li>• develop effective systems to manage and evaluate contractor performance by: <ul style="list-style-type: none"> <li>– setting an appropriate range of information to judge performance and delivery of works covering timeliness of work; quality of work; applicant/tenant feedback; cost of work (including variations); health and safety record; and customer feedback;</li> <li>– regularly reporting and evaluating performance to identify opportunities to improve services; and</li> <li>– providing formal feedback to contractors on their performance covering key issues such as client satisfaction, level and acceptability of variations, right first-time work, post-inspection assessment and completion within budget and on time.</li> </ul> </li> </ul>

Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>R7 Maximising impact and value for money in provision of adaptations requires effective joint working between housing organisations and health and social care services to ensure the needs of often very vulnerable people can be met, and their quality of life improved. However, our findings highlight that delivery organisations continue to have a limited strategic focus on adaptations, concentrating on organisational specific responses rather than how best collectively to meet the needs of disabled or older people (paragraphs 3.16 to 3.21). <b>We recommend that local authorities work with partner agencies (health bodies, housing associations and Care and Repair) to develop and improve joint working to maximise both take-up and the benefits of adaptations in supporting independence by pooling of resources, co-locating staff and creating integrated delivery teams</b></p> <p>R8 Most public bodies recognise the value of adaptations in reducing the risk of falls, preventing hospital admissions and speeding up discharge from hospital. However, the importance of adaptations is not always reflected in local partnership arrangements and outside of Occupational Therapists, health professionals noted that the different local-authority and housing-association systems for administering, approving and delivering adaptations are difficult to navigate (paragraphs 3.22 to 3.24). <b>To enhance take-up and usage of adaptations with health bodies we recommend that delivery organisations jointly agree and publish joint service standards for delivery of adaptations within each local-authority area. The service standards should clearly set out how each agency approaches delivery of adaptations and how they will provide services to ensure people know what they are entitled to receive. Service Standards should:</b></p> <ul style="list-style-type: none"> <li>• be written in plain accessible language;</li> <li>• be precise about what people can and cannot expect to receive;</li> <li>• be produced collaboratively to cover all adaptations services within an area;</li> <li>• set out the eligibility for the different funding streams, application and assessment processes, timescales and review processes; and</li> <li>• offer the viable options and alternatives for adaptations including linking with adapted housing registers to maximise use of already adapted homes.</li> </ul>

Date of report	Title of review	Recommendation
April 2018	<a href="#"><u>Speak my language: Overcoming language and communication barriers in public services</u></a>	<p>Ensuring that people who face language and communication barriers can access public services</p> <p>R1 Public bodies are required to ensure that people can access the services they need. To take account of the requirements of the 2010 Equality Act and other legislation, we recommend that public bodies regularly review the accessibility of their services to people who do not speak English or Welsh as a main language including Deaf people who use sign language. This assessment can include using our checklist.</p> <p>Developing interpretation and translation services in Wales</p> <p>R2 Our work with public bodies, interpretation and translation service providers and service users has identified some challenges for interpretation and translation services. <b>We recommend that the Welsh Government work with public bodies, representative groups and other interested parties to make sure that:</b></p> <ul style="list-style-type: none"> <li>• the supply of interpreters is sufficient especially for languages in high demand such as BSL and Arabic;</li> <li>• interpreters with specialist training are available to work in mental health services and with people who have experienced trauma or violence; and</li> <li>• quality assurance and safeguarding procedures are in place.</li> </ul>
May 2018	<a href="#"><u>Reflecting on Year One: How Have Public Bodies Responded to the Well-being of Future Generations</u></a>	<p>The report did not include any recommendations or proposals for improvement.</p>

Date of report	Title of review	Recommendation
May 2018	<a href="#">Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</a>	<p>R1 People with a learning disability have a right to live independently. The last 50 years have seen significant changes in the provision of accommodation and support. Service provision has moved to a model that enables people to live in the community in ordinary houses throughout Wales (paragraphs 1.3 to 1.10). <b>We recommend that local authorities continue to focus on preventing people becoming dependent on more expensive placements in care homes by providing effective support at home and a range of step up accommodation by:</b></p> <ul style="list-style-type: none"> <li>• improving the evaluation of prevention activity so local authorities understand what works well and why.</li> <li>• utilising the mapping of prevention services under the Social Services and Well-being (Wales) Act 2014 that covers other agencies and service providers.</li> <li>• improving the signposting of additional help so carers and support networks can be more resilient and self-reliant. This should include encouraging carers to make long-term plans for care to maintain and protect their dependants' wellbeing.</li> <li>• sharing risk analysis and long-term planning data with other local authorities, service providers, and partners to agree a shared understanding of the range of options.</li> </ul> <p>R2 Population projections show that the number of people with a learning disability will increase in the future, and those aged over 65 and those with a moderate or severe learning disability will rise significantly (paragraphs 1.3 to 1.10). <b>We recommend that local authorities improve their approach to planning services for people with learning disabilities by building on the Regional Partnership Boards' population assessments for people with learning disabilities and agreeing future priorities.</b></p>

Date of report	Title of review	Recommendation
May 2018	<a href="#">Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</a>	<p>R3 The Welsh Government produced guidance to local authorities, entitled 'developing a commissioning strategy for people with a learning disability' to support authorities in producing strategic plans for the commissioning of learning disability services. In conjunction with codes of practice developed following the Social Services and Well-being (Wales) Act 2014, the Welsh Government requires local authorities to develop integrated commissioning options with Local Health Board services. The aim is to provide a joined-up and cost-effective approach to the commissioning of services but our review highlighted weaknesses in current arrangements (paragraph 2.4 to 2.12). <b>We recommend that local authorities do more to integrate commissioning arrangements with partners and providers and take account of the work of the National Commissioning Board by:</b></p> <ul style="list-style-type: none"> <li>• understanding the barriers that exist in stopping or hindering further integration;</li> <li>• improving the quality of joint strategic plans for learning disability services (see also paragraphs 3.11 to 3.14);</li> <li>• establishing investment models and sustainable financial structures, joint workforce planning and multi-year budgeting; and</li> <li>• developing appropriate governance and data sharing frameworks with key local partners that include a clear process for managing risk and failure.</li> </ul> <p>R4 Local authorities' engagement with people with learning disabilities and their carers is variable. Whilst many authority services have positive relationships with advocacy groups, some are less successful in involving these groups and carers in evaluating the quality of services (paragraph 2.18 to 2.20). <b>We recommend that local authorities do more to involve people with learning disabilities and their carers in care planning and agreeing pathways to further independence by:</b></p> <ul style="list-style-type: none"> <li>• consistently including people with learning disabilities and their carers in the writing, monitoring and development of care plans;</li> <li>• systematically involving carers and advocacy groups in evaluating the quality of services;</li> <li>• involving people with learning disabilities in procurement processes; and</li> <li>• ensuring communications are written in accessible and appropriate language to improve the understanding and impact of guidance and information.</li> </ul>

Date of report	Title of review	Recommendation
May 2018	<a href="#">Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</a>	<p>R5 Local Authorities could do more to involve service providers in commissioning and make the tendering process more effective by making it easier to navigate and more outcome focused. However, providers are not as effectively engaged as they should be (paragraphs 2.28 to 2.38). <b>We recommend that local authorities collaborate with providers, the third sector and suppliers in understanding challenges, sharing data, and pooling expertise by:</b></p> <ul style="list-style-type: none"> <li>• improving the quality, range, and accessibility of tendering information; and</li> <li>• working with providers to shape local markets by coming to a common understanding of the opportunities, risks, and future priorities in providing learning disabilities services.</li> </ul> <p>R6 Most local authorities do not have effective arrangements to monitor and evaluate their commissioning of learning disability services (paragraphs 3.3 to 3.15). <b>We recommend that local authorities develop a more appropriate set of performance indicators and measures of success that make it easier to monitor and demonstrate the impact of service activity by:</b></p> <ul style="list-style-type: none"> <li>• co-designing measures, service and contract performance indicators with service providers, people with learning disabilities and their carers;</li> <li>• ensure commissioners have sufficient cost and qualitative information on the full range of placement and care options available;</li> <li>• equipping commissioners with data to demonstrate the long-term financial benefits of commissioning choices, this includes having the right systems and technology;</li> <li>• integrating the outcomes and learning from reviews of care plans into performance measures;</li> <li>• evaluating and then learning from different types of interventions and placements; and</li> <li>• including learning disability services in local authority scrutiny reviews to challenge performance and identify improvements.</li> </ul>

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 21 November 2018
<b>Report Subject</b>	Asset Disposal and Capital Receipts Generated 2017/18
<b>Report Author</b>	Chief Officer (Housing and Assets)

### EXECUTIVE SUMMARY

In relation to the report and attached information, this flows from interest received from Committee members previously in land disposals and the realisation of capital receipts.

Capital receipts arise when operational Council assets are declared surplus to requirements and are put forward for disposal, or where it is felt appropriate to dispose of assets from the non-operational estate.

Total asset disposals in 2017/18 amounted to £2.869m, of which £0.834m was from general properties and £2.035m from the agricultural estate. Corresponding figures for 2016/17 were £2.089m (£0.509m general, £1.580m agricultural estates).

The information in this report refers to Council Fund (CF) capital receipts only.

### RECOMMENDATIONS

1	Members are requested to note the report.
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## REPORT DETAILS

1.00	EXPLAINING THE ASSET DISPOSALS
1.01	<p><b>Background</b></p> <p>The Council's Capital Programme is set according to the Council's strategic objectives and priorities, ensuring that the Council's capital assets are aligned to current and future service delivery, operating in the most cost efficient way.</p>
1.02	<p>Capital expenditure creates revenue implications for the longer term in the form of running costs and loan repayments if that expenditure is funded from borrowing and must therefore be considered carefully within the wider strategic context.</p>
1.03	<p>In recent years the availability of capital resources has diminished with Welsh Government (WG) reducing the amount of support for capital expenditure that Councils receive. For Flintshire this support has reduced from £10.364m in 2010/11 to £6.634m in 2017/18, a percentage reduction over this period of 36%. Capital receipts generated from asset disposals (assets and land) are therefore a key capital resource and are critical to the Council in supporting its overall strategic priorities.</p>
1.04	<p>Capital receipts, together with other sources of funding, are aggregated and applied to fund the capital programme as a whole regardless of where they have been generated or by which service and are not therefore ring-fenced to any particular portfolio.</p>
1.05	<p>When considering the disposal of an asset, its best and most valuable disposal method is considered with advice including a valuation sought from either the District Valuer or the private sector. When this has been received the optimum method of disposal is reported to the Capital and Asset Programme Board. Once support is received Agents are instructed to facilitate the sale.</p>
1.06	<p>The Council's policy regarding the Agricultural Estate is to sell to existing tenants only, if occupied, or on the open market if already vacant.</p>
1.07	<p>In line with current Council Policy, capital receipts are only available to fund capital expenditure once the asset has been disposed of and the receipt has been realised.</p>
	<p><b>Considerations</b></p>
1.08	<p>In relation to the report and attached information, this flows from interest received from Committee members previously in land disposals and the realisation of capital receipts.</p>

1.09	Appendix 1 lists assets disposed of in financial years 2015/16 to 2017/18, by area and within bands of the capital receipt value realised. This layout is consistent with previous reports; more detailed reports regarding capital expenditure and capital schemes are reported at Corporate Resources Overview and Scrutiny Committee.
1.10	Sale proceeds for individual disposals are not included as they can be commercially sensitive, particularly if future disposals are being considered for similar assets.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Further details on the resource implications of capital receipts can be found in the Capital Programme Monitoring 2017/18 (Outturn) report to Cabinet on 17 July, 2018.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Whilst the realisation of capital receipts continues to be a risk for the future funding of the capital programme, the information provided in this report is retrospective and therefore carries no future risk.
4.02	Asset disposals involve an element of risk, especially during times of property market volatility, however, the Council has a rigorous process which it follows when assets are disposed of, with careful consideration given to the strategic long term future service needs and the assets needed to deliver those services. This consideration includes references to Business Plans, Improvement Plans and the Medium Term Financial Strategy.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Capital Receipts 2015/16 – 2017/18

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Capital Programme 2017/18 monitoring papers</p> <p><b>Contact Officer:</b> Paul Vaughan, Interim Finance Manager – Technical Accounting  <b>Telephone:</b> 01352 702289  <b>E-mail:</b> <a href="mailto:paul.vaughan@flintshire.gov.uk">paul.vaughan@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Capital Expenditure:</b> Expenditure on the acquisition of Non-current Assets or expenditure that extends the life or value of an existing asset</p> <p><b>Capital Programme</b> - 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</p> <p><b>Capital Receipt</b> - Receipts (in excess of £10,000) from the disposal of an asset</p> <p><b>Capital Scheme</b> - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the Capital Programme</p> <p><b>Council Fund</b> - The fund to which all the Council's revenue and capital expenditure is charged</p> <p><b>District Valuer</b> – The District Valuer is a member of staff within the District Valuer Services (DVS). The DVS is the specialist property arm of the Valuation Office Agency (VOA). It provides independent valuation and professional property advice to bodies across the entire public sector, and where public money or public functions are involved.</p> <p><b>Financing</b> - The process of allocating resources to meet the cost of capital expenditure, which can be done on a project, asset or whole programme basis. This contrasts with making the invoice payments relating to capital expenditure, which should be managed within the authority's overall treasury management policy</p> <p><b>Non-current Asset</b> - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months</p> <p><b>Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing:</b> Each year Welsh Government provide Council's with a Supported Borrowing allocation. Council's borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent</p>

<p><b>Unsupported Prudential Borrowing:</b> Borrowing administered under the Prudential Code, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years</p>
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VALUE £000	2015/16		2016/17		2017/18	
	ASSET	AREA	ASSET	AREA	ASSET	AREA
Up to £100k	Commercial property	Connahs Quay	Land & Property	Holywell	Land & Property	Caerwys
	Land	Buckley	Land	Hope	Land & Property	Connahs Quay
	Land	Bagillt	Land	Trelogan	Land	Buckley
	Land	Bagillt	Land	Hope	Land & Property	Greenfield
			Land	Flint	Land	Sandycroft
			Land	Mold	Land & Property	Holywell
			Land	Talacre		
			Land	Bretton		
£100k - £150k			Land	Ffynngroew		
£150k - £200k	Commercial property	Shotton	Land & Property	Kinnerton		
£200k - £250k					Land & Property	Llanfynydd
£250k - £300k	Commercial property	Flint			Land & Property	Alltami
	Land	Hope				
£300k - £350k						
£350k - £400k	Land	Kinnerton	Land & Property	Hendre	Land & Property	Halkyn
£400k - £450k			Land & Property	Hawarden	Land & Property	Holywell
					Land & Property	Buckley
£450k - £500k	Land	Kinnerton				
£500k - £550k						
£550k - £600k						
£600k - £650k						
£650k - £700k			Land & Property	Brynford		
£700k - £750k						
£750k - £800k						
£800k - £850k						
£850k+					Land & Property	Bagillt
Annual Total (£k)		1,695		2,089		2,869

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 21st November 2018
<b>Report Subject</b>	Treasury Management Mid-Year Review 2018/19 & Quarter 2 update
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

This report presents the draft mid-year Treasury Management report 2018/19 for review and seeks the Committee's recommendation for approval to Cabinet.

The report provides an update on matters relating to the Council's Treasury Management activity during the period 1<sup>st</sup> June to 30<sup>th</sup> September 2018.

### RECOMMENDATIONS

1	Members review the draft Treasury Management Mid-Year Report 2018/19 and identify any matters to be drawn to the attention of Cabinet on 18 <sup>th</sup> December 2018.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE MID YEAR REVIEW</b>
1.01	The Council has nominated Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.
1.02	On 20 <sup>th</sup> February 2018, the Council approved the Treasury Management Strategy 2018/19, following the recommendation of the Cabinet and consideration by the Audit Committee.

<b>Treasury Management Mid-Year Report 2018/19</b>	
1.03	The Treasury Management Mid-Year Report for 2018/19 is attached as Appendix 1 for review. As required by the Council's Financial Procedure Rules, this review will be reported to the Cabinet and Council.
1.04	<u>Summary of Key Points</u>  The Bank of England made no change to monetary policy at its meetings in May and June, but agreed a rate rise of 0.25% in August, taking Bank Rate to 0.75%. Please see paragraph 1.12 for more information.
1.05	No new long term borrowing has been undertaken to date in 2018/19. Short term borrowing was undertaken as necessary in accordance with the 2018/19 borrowing strategy. The total short term (temporary) borrowing as at 30 <sup>th</sup> September 2018 was £37.0m with an average rate of 0.69%. Section 4 provides more information on borrowing and debt management during the period.
1.06	The treasury function has operated within the limits detailed in the Treasury Management Strategy 2018/19 to date.
1.07	Section 6 of the Mid-Year Report provides information on regulatory changes coming into force in the near future.
1.08	The updated Prudential Code includes a requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority will be updating its Capital Strategy later in 2018-19 for approval by full Council.
1.09	EU Money Market Reform will come into force on 21 <sup>st</sup> January 2019, which will lead to some changes in the way Money Market Funds are defined, as detailed in Section 6 of the report. It is not anticipated that this will impact the Council's investment strategy.
<b>Treasury Management 2018/19 – Quarter 2 update</b>	
1.10	<u>Investments Update</u>  A statement setting out the Council's investments as at 30 <sup>th</sup> September 2018 is attached at Appendix 2. The investment balance at this time was £18.2m, spread across 8 counterparties and the average investment rate was 0.64% for the period.
1.11	<u>Borrowing Update</u>  Appendix 3 shows the Council's long term borrowing as at 30 <sup>th</sup> September 2018. The total amount of loans outstanding was £253.7m with an average interest rate payable of 4.93%.  Appendix 4 shows the Council's short term borrowing as at 30 <sup>th</sup> September 2018. The total amount of loans outstanding was £37.0m with an average interest rate payable of 0.69%.

1.12	The Bank of England's Monetary Policy Committee on the 2 <sup>nd</sup> of August 2018 voted to raise the official Bank Rate to 0.75%. The committee has maintained expectations of a slow and steady rise in interest rates over the forecast horizon. Arlingclose is forecasting two more 0.25% rises during 2019 to take official UK interest rates to 1.25%. On-going decisions remain dependent on economic data and the Brexit negotiations to leave the EU.
1.13	The Council's capital expenditure plans will continue to be monitored throughout 2018/19 to inform and assess the Council's long term borrowing need. This is to ensure that the Council does not commit to long term borrowing too early and refinance unnecessarily which will be costly and have significant revenue implications. The continued use of short-term borrowing will assist with this. This will be balanced against securing low long term interest rates currently being forecast and assessing the affordability of long-term borrowing in the short term against the savings made over the life of the loan.
1.14	<u>Member Training – Treasury Management</u>  Member training has been arranged for 29th January 2019 9:30am – 12pm which will be a Treasury Management Workshop presented by Arlingclose Ltd. The session will be hosted by the Audit Committee but will be open to all Members.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications are addressed in the report; no other resource implications directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Arlingclose Ltd, being the Council's treasury management advisors.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Risk Management directly addressed within the report and appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<ol style="list-style-type: none"> <li>1. Draft Treasury Management Mid-Year Report 2018/19</li> <li>2. Investment Portfolio as at 30<sup>th</sup> September 2018</li> <li>3. Long term borrowing as at 30<sup>th</sup> September 2018</li> <li>4. Short term borrowing as at 30<sup>th</sup> September 2018</li> </ol>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Paul Vaughan – Technical Finance Manager  <b>Telephone:</b> 01352 702219  <b>E-mail:</b> <a href="mailto:paul.vaughan@flintshire.gov.uk">paul.vaughan@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Authorised Limit:</b> A statutory limit that sets the maximum level of external debt for the Council.</p> <p><b>Balances and Reserves:</b> Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p><b>Bank Rate:</b> The official interest rate set by the Bank of England’s Monetary Policy Committee and what is generally termed at the “base rate”.</p> <p><b>Basis Point:</b> A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.</p> <p><b>Bond:</b> A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.</p> <p><b>Capital Expenditure:</b> Expenditure on the acquisition, creation or enhancement of capital assets.</p> <p><b>Capital Financing Requirement (CFR):</b> The Council’s underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.</p> <p><b>Certificates of Deposits (CD’s):</b> A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD generally ranges from one month to five years.</p> <p><b>Cost of Carry:</b> The “cost of carry” is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.</p> <p><b>Consumer Price Index (CPI):</b> The UK’s main measure of inflation (along with Retail Price Index or ‘RPI’) The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try and keep CPI at or close to the</p>

target set by the Government. The calculation of CPI includes many items of normal household expenditure but excludes some items such as mortgage interest payments and Council Tax.

**Corporate Bonds:** Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

**Counterparty List:** List of approved financial institutions with which the Council can place investments.

**Credit Rating:** Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

**Debt Management Office (DMO):** The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

**Federal Reserve:** The US central bank, the equivalent of the Bank of England. (Often referred to as "the Fed").

**Financial Instruments:** Financial instruments are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument

**Gilts:** Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged'. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

**LIBID:** The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

**LIBOR:** The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

**Low Volatility Net Asset Value Money Market Funds (LVNAV MMFs):** refers to highly liquid money market funds which aim to maintain the level of their worth by investing in very secure instruments.

**LOBO:** Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of

the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

**IFRS:** International Financial Reporting Standards.

**Maturity:** The date when an investment or borrowing is repaid.

**Maturity Structure / Profile:** A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.

**Monetary Policy Committee (MPC):** Government Body that sets the Bank Rate. Its primary target is to keep inflation within 1% of a central target of 2%. Its secondary target is to support the Government in maintaining high and stable levels of growth and employment.

**Money Market Funds (MMF):** Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

**Minimum Revenue Provision (MRP):** An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

**Non Specified Investment:** Investments which fall outside the WG Guidance for Specified investments (below).

**Operational Boundary:** This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

**Premiums and Discounts:** In the context of local authority borrowing,  
(a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and  
(b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

**Prudential Code:** Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

**Prudential Indicators:** Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators

**Public Works Loans Board (PWLB):** The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

**Quantitative Easing (QE):** In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller’s bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy.

**Revenue Expenditure:** Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

**Retail Price Index (RPI):** A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent.

**Term Deposits:** Deposits of cash with terms attached relating to maturity and rate of return (Interest).

**Specified Investments:** Term used in the Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

**Supported Borrowing:** Borrowing for which the costs are supported by the government or third party.

**Supranational Bonds:** Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

**Treasury Bills (T-Bills):** Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.

**Treasury Management Code:** CIPFA’s Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

**Treasury Management Practices (TMP):** Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

**Temporary Borrowing:** Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

	<p><b>Unsupported Borrowing:</b> Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.</p>
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	<p><b>Yield:</b> The measure of the return on an investment instrument.</p>
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# **FLINTSHIRE COUNTY COUNCIL**

## **DRAFT TREASURY MANAGEMENT**

### **MID YEAR REPORT 2018/19**

## **1.00 PURPOSE OF REPORT**

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

## **2.00 BACKGROUND**

- 2.01 Treasury management comprises the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2.02 The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.
- 2.03 The Council's policy is to appoint external consultants to provide advice on its treasury management function. In September 2016 Arlingclose Ltd were reappointed as the Council's advisors for a period of 3 years, following a competitive tendering exercise.
- 2.04 The Council has adopted the 2012 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year.
- 2.05 In addition, the Welsh Government (WG) Guidance on Local Government Investments recommends that local authorities amend their investment strategies in light of changing internal or external circumstances.
- 2.06 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.
- 2.07 The Council approved the 2018/19 Treasury Management Strategy at its meeting on 20<sup>th</sup> February 2018.

## **3.00 ECONOMIC & INTEREST RATE REVIEW APRIL – OCTOBER 2018.**

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

- 3.01 **Economic background:** Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year on

year, above the consensus forecast and that of the Bank of England's in its August Inflation Report, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

- 3.02 The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.
- 3.03 Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.
- 3.04 The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.
- 3.05 The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.
- 3.06 **Financial markets:** Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the

period, despite the volatility, the change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher in money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

3.07 The ring-fencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/NatWest Bank plc – is complete, the transfer of their business lines into retail (ring-fenced) and investment banking (non ring-fenced) is progressing and will need to be completed by the end of 2018.

### 3.08 **Outlook for the remainder of 2018/19**

3.09 Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

3.10 The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

3.11 Arlingclose’s central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average.

	Dec 18	Mar 19	Jun 19	Sept 19	Dec 19	Mar 20	Jun 20	Sept 20	Dec 20	Mar 20
Upside Risk (%)	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25
Interest Rate (%)	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside Risk (%)	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75

3.12 The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

#### **4.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT**

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

The Authority submitted its application to WG along with the 2018-19 Capital Estimates Return to access this reduced rate for a further 12 months from 1st November 2018.

4.02 The total long term borrowing outstanding totals £253.7 million.

4.03 Loans with the Public Works Loans Board are in the form of fixed rate (£220.81m) and variable rate (£10m), £18.95m is variable in the form of Lobo’s (Lender’s Option, Borrower’s Option) and £3.989m are interest free loans from government. The Council’s average long term borrowing rate is currently 4.94%.

	Balance 01/04/2018 £m	Debt Maturing £m	New Debt £m	Balance 30/09/2018 £m
Long Term Borrowing	249.76	0.00	0.00	249.76
Government Loans	3.99	0.00	0.00	3.99
TOTAL BORROWING	253.75	0.00	0.00	253.75
Other Long Term Liabilities *	5.39	0.00	0.00	5.39
TOTAL EXTERNAL DEBT	259.14	0.00	0.00	259.14
Increase/ (Decrease) in Borrowing £m				0.00

\* relates to finance leases in respect of Deeside Leisure Centre and Jade Jones Pavilion

#### 4.04 Long term borrowing

No other new long term borrowing has been undertaken so far during 2018/19. Affordability (interest costs charged on new loans) and the “cost of carry” (costs associated with new long term loans) remain important influences on the Council’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of long term borrowing.

#### 4.05 Loans at Variable Rates

The extent of variable rate borrowing the Council can potentially undertake is influenced by the level of Reserves and Balances. The interest rate on the Council’s £10m variable rate loans averaged 0.64%.

The Council has determined that exposure to variable rates is warranted. It also assists with the affordability and budgetary perspective in the short-to-medium term. Any upward movement in interest rates and interest paid on variable rate debt would be offset by a corresponding increase in interest earned on the Council’s variable rate investments. The interest rate risk associated with the Council’s strategic exposure of £10m is regularly reviewed with our treasury advisor against clear reference points, this being a narrowing in the gap between short and longer term interest rates. If appropriate, the exposure to variable interest rates will be reduced by switching into fixed rate loans.

#### 4.06 Internal Borrowing and Short Term Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the borrowing strategy is to minimise debt interest payments without

compromising the longer-term stability of the portfolio. With short-term interest rates currently lower than long-term rates, it has been more cost effective in the short-term to either use internal resources, or to borrow short-term instead.

The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant at around 1.95%.

The use of internal resources in lieu of borrowing has therefore continued to be used over the period as the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments.

Short term borrowing was undertaken as necessary. The total short term (temporary) borrowing as at 30th September 2018 was £37m with an average rate of 0.69%.

The Council's capital expenditure plans will continue to be monitored throughout 2018/19 to inform and assess the Council's long term borrowing need. This is to ensure that the Council does not commit to long term borrowing too early and refinance unnecessarily which will be costly and have significant revenue implications. The continued use of short-term borrowing will assist with this. It is likely that there will be further long term borrowing during the financial year, as the balance between securing low long term interest rates currently being forecast and assessing the affordability of long-term borrowing continues to be considered.

The Council is currently fixing long term borrowing which will finance its loan to New Homes for the recent development it has undertaken on affordable homes.

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

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. The option to change the terms on £18.95m of the Council's LOBOs was not exercised by the lender. The Authority acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

#### 4.08 Debt Rescheduling

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

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

## **5.0 INTERIM INVESTMENT AND PERFORMANCE REPORT**

- 5.01 The Welsh Government's Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.
- 5.02 The maximum investments the Council had on deposit at any one time totalled £42.8m. The average investment balance for the period was £27.5m and the average rate of return was 0.52%, generating investment income of £75k.
- 5.03 Investments have been made with UK banks, building societies and other Councils up to periods of 35 days, as well as utilising investment opportunities afforded by money market funds and call accounts.
- 5.04 The average of long and short term borrowing was £276.9m and the average rate paid was 5.71% generating interest payable of £6.4m in line with budget forecasts (to date).

	Investments		Borrowing	
	Interest received £'000	Interest rate %	Interest paid £'000	Interest rate %
Actual	75	0.52	6,400	5.71
Budget	22.5	0.30	6,600	4.47
Difference	52.5	-	200	-

Year-end projections are as follows:

	Investments		Borrowing	
	Interest received £'000	Interest rate %	Interest paid £'000	Interest rate %
Actual	102	0.50	13,060	5.84
Budget	45	0.30	13,200	4.47
Difference	57	-	140	-

- 5.05 Credit Risk (security)



Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating for institutions defined as having "high credit quality" is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Counterparty Update (provided by our treasury advisers Arlingclose Ltd)

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ring-fencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

#### 5.06 Liquidity

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

#### 5.07 Yield

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

### **6.00 REGULATORY UPDATES**

6.01 Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter.

6.02 The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council will be updating its Capital Strategy later in 2018-19 for approval by full Council.

6.04 The new EU regulations for Money Market Funds (MMFs) were published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. The Council's treasury management advisors expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund. This is not expected to have any impact on the Council's investment strategy as the risks arising from the changes are considered minimal.

## **7.00 COMPLIANCE**

7.01 The Council can confirm that it has complied with its Prudential Indicators for the period April to September 2018. These were approved on 20<sup>th</sup> February 2018 as part of the Council's 2018/19 Treasury Management Strategy.

7.02 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the period April – September 2018. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## **8.00 OTHER ITEMS**

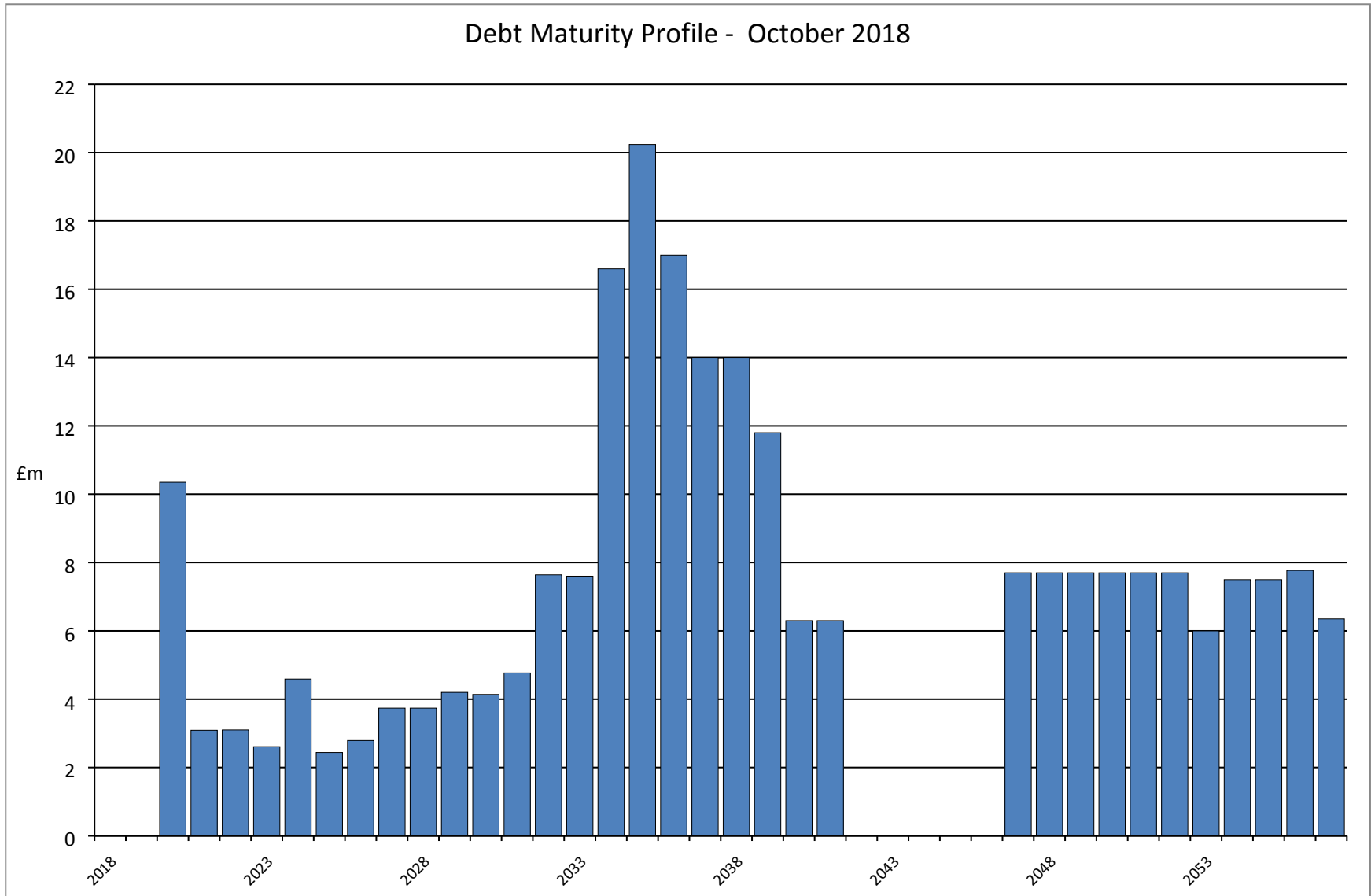
8.01 Other treasury management related activity that took place during April – September 2018 includes:

- The Treasury Management Annual Report 2017/18 was reported to Audit Committee on 11<sup>th</sup> July 2018, Cabinet on 17<sup>th</sup> July 2018 and approved by Council on 12<sup>th</sup> September 2018.
- Quarterly Treasury Management updates were reported to the Audit Committee.
- The Council continues to be a member of the CIPFA Treasury Management Forum and the TM Network Advisory Group.

## **9.00 CONCLUSION**

9.01 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first half of 2018/19.

9.02 As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.



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**FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO**

**30th SEPTEMBER 2018**

**APPENDIX 2**

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Inv Period	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
AMUNDI MONEY MARKET FUND	3.0	03/04/18	31/10/18	211.00	0.60%	10,405	MMF	1 month or less
<b>AMUNDI MONEY MARKET FUND</b>	<b>3.0</b>							
BANK OF SCOTLAND	2.0	09/04/18	31/10/18	205.00	0.75%	8,425	UK BANK	1 month or less
<b>BANK OF SCOTLAND</b>	<b>2.0</b>							
BNP PARIBAS SECURITIES SVCS	3.0	03/04/18	31/10/18	211.00	0.69%	11,966	MMF	1 month or less
<b>BNP PARIBAS SECURITIES SVCS</b>	<b>3.0</b>							
CCLA PUBLIC SECTOR DEPOSIT	3.0	03/05/18	31/10/18	181.00	0.63%	9,372	MMF	1 month or less
<b>CCLA PUBLIC SECTOR DEPOSIT</b>	<b>3.0</b>							
FEDERATED INVESTORS (UK)	2.7	03/04/18	31/10/18	211.00	0.65%	10,145	MMF	1 month or less
<b>FEDERATED INVESTORS (UK)</b>	<b>2.7</b>							
FURNESS BUILDING SOCIETY	1.0	05/10/17	04/10/18	364.00	0.70%	6,981	UK BS	1 month or less
<b>FURNESS BUILDING SOCIETY</b>	<b>1.0</b>							
HANDELSBANKEN	2.0	12/04/18	31/10/18	202.00	0.50%	5,534	OVERSEAS	1 month or less
<b>HANDELSBANKEN</b>	<b>2.0</b>							
INSIGHT LIQUIDITY FUNDS PLC	1.5	03/04/18	31/10/18	211.00	0.63%	5,463	MMF	1 month or less
<b>INSIGHT LIQUIDITY FUNDS PLC</b>	<b>1.5</b>							
<b>TOTAL</b>	<b>18.2</b>				<b>0.64%</b>	<b>68,292</b>		
<b>PREVIOUS REPORTS TOTALS (31st MAY 2018)</b>	<b>22.3</b>				<b>0.51%</b>			

**FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY**

**30th SEPTEMBER 2018**

**APPENDIX 2**

Type of Investment	Total Amount Invested £m	% of Total Portfolio	Period to Investment Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
Debt Management Office (DMO)	0.0	0%				
UK Bank	2.0	11%	2			
UK Building Society (UK BS)	1.0	5%	1			
Overseas	2.0	11%	2			
Local Authorities	0.0	0%				
CD's	0.0	0%				
T-Bills	0.0	0%				
Money Market Funds (MMF)	13.2	73%	13.2			
<b>Total (£)</b>	<b>18.2</b>		<b>18.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

30th SEPTEMBER 2018

APPENDIX 3

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
-----------------	------------------------------	-----------------	-------------------	--------------------

PWLB Fixed Rate Maturity Loans				
20/03/86	2,436,316	9.50	231,450	30/11/25
01/04/86	1,392,181	9.13	127,036	30/11/23
01/04/86	1,218,158	9.13	111,157	30/11/21
24/03/88	696,090	9.13	63,518	30/11/27
25/08/88	696,090	9.50	66,129	31/03/28
26/10/88	870,113	9.25	80,485	30/09/23
26/05/89	1,044,135	9.50	99,193	31/03/25
26/05/89	1,044,135	9.50	99,193	31/03/29
28/09/95	561,642	8.25	46,335	30/09/32
28/09/95	181,120	8.63	15,622	30/09/32
28/09/95	348,045	8.25	28,714	30/09/27
28/09/95	696,090	8.25	57,427	30/09/28
28/09/95	1,740,226	8.25	143,569	30/09/29
28/09/95	1,740,226	8.25	143,569	30/09/30
28/09/95	1,740,226	8.25	143,569	30/09/31
28/09/95	522,068	8.25	43,071	30/09/21
28/09/95	696,090	8.25	57,427	30/09/24
28/09/95	1,740,226	8.25	143,569	30/09/26
28/09/95	1,000,282	8.63	86,274	30/09/22
18/04/97	2,000,000	7.75	155,000	18/10/27
18/04/97	2,000,000	7.75	155,000	18/10/28
18/04/97	2,000,000	7.75	155,000	18/10/29
18/04/97	2,000,000	7.75	155,000	18/10/30
* 17/07/97	4,000,000	7.13	285,000	31/03/55
* 17/07/97	4,000,000	7.13	285,000	31/03/56
* 17/07/97	4,492,873	7.13	320,117	31/03/57
* 17/07/97	3,500,000	7.00	245,000	31/03/55
* 17/07/97	3,500,000	7.00	245,000	31/03/56
* 17/07/97	3,278,252	7.00	229,478	31/03/57
* 20/05/98	1,333,332	5.75	76,667	18/04/31
20/05/98	1,050,000	6.00	63,000	18/04/26
09/06/98	2,000,000	5.75	115,000	30/09/32
09/06/98	3,000,000	5.75	172,500	30/09/33
09/06/98	4,000,000	5.75	230,000	30/09/34
17/09/98	3,850,000	5.25	202,125	31/03/58
08/12/98	1,200,000	4.75	57,000	31/03/54
08/12/98	2,500,000	4.75	118,750	31/03/58
08/12/98	4,800,000	4.50	216,000	31/03/54
01/04/99	6,000,000	4.63	277,500	31/03/53
22/04/99	4,000,000	4.50	180,000	31/03/52
* 10/08/99	1,700,000	4.50	76,500	31/03/53
* 10/08/99	3,700,000	4.50	166,500	31/03/52
* 10/08/99	7,700,000	4.50	346,500	31/03/51
* 10/08/99	7,700,000	4.50	346,500	31/03/50
* 10/08/99	7,700,000	4.50	346,500	31/03/49
* 10/08/99	7,700,000	4.50	346,500	31/03/48
05/04/01	2,500,000	4.75	118,750	31/03/25
15/11/01	1,400,000	4.50	63,000	31/03/23
15/11/01	1,350,000	4.50	60,750	31/03/22
* 02/08/05	1,700,000	4.45	75,650	18/04/31
* 02/08/05	4,900,000	4.45	218,050	18/04/32
* 02/08/05	4,600,000	4.45	204,700	18/04/33
* 02/08/05	1,800,000	4.45	80,100	18/04/34
* 02/08/05	2,244,611	4.45	99,885	18/04/35
02/04/15	10,800,000	4.11	443,880	02/10/34
02/04/15	9,000,000	4.13	371,700	02/04/35
02/04/15	9,000,000	4.14	372,600	02/10/35
02/04/15	9,000,000	4.16	374,400	02/04/36
02/04/15	8,000,000	4.17	333,600	02/10/36
02/04/15	7,000,000	4.18	292,600	02/04/37
02/04/15	7,000,000	4.19	293,300	02/10/37
02/04/15	7,000,000	4.20	294,000	02/04/38
02/04/15	7,000,000	4.21	294,700	02/10/38
02/04/15	5,448,094	4.22	229,910	02/04/39
<b>Total</b>	<b>220,810,621</b>	<b>5.24</b>	<b>11,576,018</b>	

Market Fixed Rate Loans (LOBOS)				
* 24/07/07	6,350,000	4.48	284,480	24/01/40
* 24/07/07	6,300,000	4.53	285,075	24/01/41
* 24/07/07	6,300,000	4.58	288,540	24/01/42
<b>Total</b>	<b>18,950,000</b>	<b>4.53</b>	<b>858,095</b>	

PWLB Variable Rate Maturity Loans				
* 05/05/10	10,000,000	0.66	66,000	05/05/20
<b>Total</b>	<b>10,000,000</b>	<b>0.66</b>	<b>66,000</b>	

Other Government Loans				
08/06/17	700,000	0.00	0.00	01/04/21
21/09/17	350,000	0.00	0.00	01/04/22
19/12/17	350,000	0.00	0.00	01/04/23
27/03/18	1,729,128	0.00	0.00	01/10/28
21/10/15	460,000	0.00	0.00	31/03/30
20/10/16	400,000	0.00	0.00	31/03/31
<b>Total</b>	<b>3,989,128</b>	<b>0</b>	<b>0</b>	

Totals				
<b>Fixed Rate</b>	<b>239,760,621</b>		<b>12,434,113</b>	
<b>Variable Rate</b>	<b>10,000,000</b>		<b>66,000</b>	
<b>Other</b>	<b>3,989,128</b>		<b>0</b>	
<b>Grand Total</b>	<b>253,749,749</b>	<b>4.93</b>	<b>12,500,113</b>	

\* New loan due to debt restructuring  
 HRAS Buyout Loans

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**FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING**

**30th SEPTEMBER 2018**

**APPENDIX 4**

<b>Counterparty Name</b>	<b>Amount Borrowed £m</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Interest due £</b>	<b>Brokerage due £</b>	<b>Period to Maturity</b>
CITY OF EDINBURGH	7.0	24/08/18	28/11/18	0.80%	14,729	882	1 - 3 months
<b>CITY OF EDINBURGH</b>	<b>7.0</b>						
DERBYSHIRE PENSION FUND	5.0	24/08/18	26/11/18	0.80%	10,301	644	1 - 3 months
<b>DERBYSHIRE PENSION FUND</b>	<b>5.0</b>						
LEICESTER CITY COUNCIL	5.0	27/07/18	30/10/18	0.57%	7,418	651	1 month or less
<b>LEICESTER CITY COUNCIL</b>	<b>5.0</b>						
LEICESTER CITY COUNCIL	3.0	28/08/18	29/11/18	0.80%	6,115	382	1 - 3 months
<b>LEICESTER CITY COUNCIL</b>	<b>3.0</b>						
LONDON BOROUGH OF NEWHAM	4.0	22/08/18	22/11/18	0.80%	8,066	504	1 - 3 months
<b>LONDON BOROUGH OF NEWHAM</b>	<b>4.0</b>						
MERSEYSIDE FIRE & RESCUE	1.0	24/08/18	26/11/18	0.80%	2,060	129	1 - 3 months
<b>MERSEYSIDE FIRE &amp; RESCUE</b>	<b>1.0</b>						
NORTHUMBERLAND COUNTY COUNCIL	10.0	31/07/18	31/10/18	0.57%	14,367	1,260	1 month or less
<b>NORTHUMBERLAND COUNTY COUNCIL</b>	<b>10.0</b>						
VALE OF GLAMORGAN COUNCIL	2.0	31/07/18	31/10/18	0.57%	2,873	252	1 month or less
<b>VALE OF GLAMORGAN COUNCIL</b>	<b>2.0</b>						
<b>TOTAL</b>	<b>37.0</b>			<b>0.69%</b>	<b>65,930</b>	<b>4,704</b>	

**SHORT TERM BORROWING SUMMARISED BY TYPE & MATURITY**

**30th SEPTEMBER 2018**

**APPENDIX 4**

SHORT TERM BORROWING TYPE	Total Amount Borrowed £m	% of Total Portfolio	Period to Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
UK Bank	0.0	0%				
UK Building Society (UK BS)		0%				
Local Authorities	37.0	100%	17	20		
<b>Total (£)</b>	<b>37.0</b>		<b>17.0</b>	<b>20.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>46%</b>	<b>54%</b>	<b>0%</b>	<b>0%</b>



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 21st November 2018
<b>Report Subject</b>	Use of Consultants
<b>Portfolio Holder</b>	Cabinet Member for Corporate Management & Assets
<b>Report Author</b>	Chief Executive
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The Audit Committee Forward Work Programme includes an annual review of compliance with the processes in place to ensure effective management and control of expenditure on consultancy.

This report considers compliance with processes and procedures around consultancy spend, and the accuracy of coding of consultancy spend on the general ledger.

### RECOMMENDATIONS

1	That the Committee be assured that expenditure on consultants is being controlled and the Council is achieving value for money.
---	---

### REPORT DETAILS

<b>1.00</b>	<b>Background</b>
1.01	<p>A report on consultancy costs was presented to the Audit Committee in January 2016. At that time new processes for the authorisation and management of consultancy spend had been introduced. These processes included the completion of business cases for all consultancy engagements.</p> <p>A review of compliance with the new processes and procedures was undertaken in June / July 2016. A report was presented to the Committee meeting in July 2016 which found the new system had been effective in (a) identifying spend on consultants and (b) controlling the authorisation and monitoring of spend.</p>

	A report to Audit Committee in November 2017 confirmed continued compliance with processes and procedures and provided assurance that expenditure on consultants was being controlled.												
1.02	The Council's transformation programmes at corporate and service level are principally designed and implemented within our own resources with consultants engaged sparingly. The Council makes maximum use of its own internal resources, and seeks to develop internal capability, before turning to the engagement of external consultancy for expert advice and support.												
	<b>Controls around Consultancy Spend</b>												
1.03	<p>Prior to appointing a consultant a business case must be prepared assessing the need and specifying the requirements of the engagement.</p> <p>Business cases under £25k must be authorised by a Chief Officer, and proposed spend of £25k and above must also be approved by the Chief Executive. All consultants must be appointed in accordance with the Council's Contract Procedure Rules. Any significant amendments to order values (extensions to contracts, etc.) must be supported by an additional business case.</p> <p>A post assignment review is to be undertaken at the end of each consultancy engagement to show how the project objectives have been met and expected benefits have been achieved, and to identify skills and knowledge for transfer into the Council.</p> <p>The expenditure on the general ledger is reviewed on a quarterly basis to ensure that consultancy costs have been properly coded (see 1.06).</p> <p>A file of all authorised consultancy business cases is maintained to ensure compliance with the agreed processes and Contract Procedure Rules.</p> <p>Internal Audit carry out periodic reviews of consultancy spend to ensure the accuracy of figures on the general ledger and compliance with processes and procedures around consultancy spend.</p>												
	<b>Consultancy Business Cases 2017/18</b>												
1.04	<p><b>Table 1: Consultancy Business Cases approved in 2017/18</b></p> <table border="1"> <thead> <tr> <th>Consultant</th> <th>Local / Regional / National</th> <th>Project</th> <th>Value £</th> </tr> </thead> <tbody> <tr> <td>S P &amp; I Management</td> <td>R</td> <td>Mail Handling Review</td> <td>6,500</td> </tr> <tr> <td>Korn Ferry Hay Group</td> <td>N</td> <td>Senior Management Reward Review</td> <td>32,000</td> </tr> </tbody> </table> <p>Note 1: the above figures represent the total costs incurred and expenditure committed to date for consultancy engagements approved in 2017/18.</p>	Consultant	Local / Regional / National	Project	Value £	S P & I Management	R	Mail Handling Review	6,500	Korn Ferry Hay Group	N	Senior Management Reward Review	32,000
Consultant	Local / Regional / National	Project	Value £										
S P & I Management	R	Mail Handling Review	6,500										
Korn Ferry Hay Group	N	Senior Management Reward Review	32,000										

1.05	<p>The November 2017 report to Audit Committee showed expenditure against consultancy engagements of £81,824 approved in 2016/17. The higher levels of consultancy spend in 2016/17 reflected the need for support with the development of the two alternative delivery models - Aura Leisure &amp; Libraries Ltd and NEWydd Cleaning &amp; Catering Ltd.</p>
	<p><b>Accuracy of Coding of Consultancy Spend</b></p>
1.06	<p>The Finance Team monitor consultancy spend on the general ledger on a quarterly basis to ensure spend has been correctly coded and is supported by an approved business case. Any anomalies are raised and resolved, with miscoded spend transferred to the correct code.</p> <p>In addition, expenditure is monitored by individual budget managers as part of the monthly revenue budget monitoring process - providing additional assurance around the accuracy of coding, and providing an opportunity for miscoding to be identified and corrected.</p> <p>Internal Audit have carried out a review of the quarterly monitoring processes undertaken by the Finance Team during 2017/18 and are satisfied these processes are robust and consultancy spend recorded on the general ledger is accurate.</p>
	<p><b>Compliance with Processes &amp; Procedures</b></p>
1.07	<p>Internal Audit have reviewed the database which holds the approved business cases supporting consultancy spend and are satisfied that appropriately approved business cases are in place for the few consultancy engagements entered into in 2017/18 and, where needed, additional business cases had been submitted for those engagements entered into in the previous financial year which have exceeded the agreed value on the initial case.</p> <p>Internal Audit recognise that the post assignment review sections of the consultancy business cases have not yet been completed for either of the 2017/18 consultancy engagements as these projects are still ongoing. Once these projects come to an end a post assignment review will be undertaken to ensure appropriate consideration of value for money, consultant performance and skills transfer. It was confirmed that the post assignment review sections of consultancy business cases have been completed for all consultancy engagements entered into in 16/17 which have now come to an end.</p>
	<p><b>Consideration of Value for Money</b></p>
1.08	<p>Only one consultancy engagement in 2017/18 is budgeted to exceed £25,000 in value (Korn Ferry Hay Group, Senior Management Reward Review circa £30,000). The work is not yet complete.</p> <p>The consideration of value for money is a judgement made by weighing up whether a competitive price for the work was obtained from the procurement, whether the consultancy project was completed on time and within budget, and whether the Council achieved its organisational objectives by engaging the consultant.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Consultancies are funded through one of several sources and all spend on consultants is subject to Procurement Rules, and Finance Procedure Rules.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Chief Officers, the Corporate Finance Manager and the Internal Audit Manager have been consulted in the preparation of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The risk of excessive expenditure when employing consultants is being managed through the controls already mentioned in 2.01 and through the exercise of careful business planning.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Background papers held by the Corporate Finance Manager and the Internal Audit Manager.  <b>Contact Officer:</b> Colin Everett <b>Telephone:</b> 01352 702101 <b>E-mail:</b> <a href="mailto:chief_executive@flintshire.gov.uk">chief_executive@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Consultancy:</b> The provision of objective advice relating to strategy, structure or management.



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 21 November 2018
<b>Report Subject</b>	Clwyd Pension Fund Governance
<b>Report Author</b>	Clwyd Pension Fund Manager

### EXECUTIVE SUMMARY

During a review of the Clwyd Pension Fund Statement of Accounts 2017/18 by the Committee, the monitoring of fund management fees and value for money was briefly discussed. It was agreed that the Committee would receive a report and presentation to give further assurance on this matter.

An outline of the Clwyd Pension Fund (the Fund) governance arrangements is provided along with further background information on fund management fees, an explanation of why the Fund currently pays these fees and concludes on how value for money is measured and where it has been achieved.

The Council's Constitution delegates the management of the Fund to the Clwyd Pension Fund Committee. The Committee is advised by officers and professional advisors.

Every three years as part of the Actuarial Valuation process, which determines employer costs, the investment consultant recommends to Committee an investment strategy which targets the required investment return but as importantly also manages investment risk. The fund management fees are a result of how these risks are managed and the investment strategy is implemented.

The report demonstrates that at a total fund level the investment strategy has achieved its objectives and that fund manager fees have provided value for money.

### RECOMMENDATIONS

1	That the Committee consider the report and provide feedback to the Clwyd Pension Fund Committee.
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## REPORT DETAILS

1.00	GOVERNANCE
1.01	<p>The diagram below illustrates the governance structure for the Clwyd Pension Fund. It is described fully in the Governance Strategy and Compliance Statement a regulatory document published by all LGPS funds.</p> <pre> graph TD     Council[FLINTSHIRE COUNTY COUNCIL ADMINISTERING AUTHORITY]     LPB[LOCAL PENSION BOARD Not decision making]     WPGC[WALES POOL JOINT GOVERNANCE COMMITTEE]     CPFCC[CLWYD PENSION FUND COMMITTEE]     AP[ADVISORY PANEL]     WPOWG[Wales Pool Officer Working Group]     CEO[CHIEF EXECUTIVE]     S151[SECTION 151 OFFICER]     TAG[Tactical Asset Allocation Group]     PEREG[Private Equity &amp; Real Estate Group]     FRMG[Funding Risk Management Group]      Council -- "Oversight of Compliance, Efficiency and Effectiveness" --&gt; LPB     Council -- "Constitution Delegates Decision Making" --&gt; WPGC     Council -- "Constitution Delegates Decision Making" --&gt; CPFCC     LPB --&gt; AP     WPGC --&gt; WPOWG     CPFCC -- "Scheme of Delegation" --&gt; CEO     CPFCC -- "Scheme of Delegation" --&gt; S151     AP -- "Consultation" --&gt; WPGC     AP -- "Consultation" --&gt; CPFCC     AP -- "Implementation" --&gt; TAG     AP -- "Implementation" --&gt; PEREG     AP -- "Implementation" --&gt; FRMG     </pre> <p>Statutory Responsibility: Financial Administration</p>
1.02	<p>LGPS Regulations allow for some local discretion on governance arrangements. Both the compliance statement and an annual independent report demonstrate that the Council complies with best practice and the Fund is well governed. Unlike the Committee, the Pension Board is a statutory requirement whose role is to provide oversight of compliance, efficiency and effectiveness but is not decision making. The most recent addition is the Joint Governance Committee for the Wales Pension Partnership (WPP) which will provide the platform for pooling investments across the 8 LGPS funds in Wales. In the future fund management fees will come via this pool.</p>
1.03	<p>The Council's Constitution documents the delegations to the Pension Fund Committee, the Board Protocol and WPP. The Fund has other published governance related documents but those particularly relevant here are:</p> <ul style="list-style-type: none"> <li>• Funding Strategy Statement.</li> <li>• Investment Strategy Statement</li> <li>• Risk Policy Statement</li> <li>• Training Policy Statement</li> <li>• 3 Year Business Plan</li> <li>• Annual Report &amp; Accounts</li> </ul>



	The Clwyd Pension Fund Committee receives a quarterly report on investment performance of the Fund and fund managers.
<b>2.00</b>	<b>FUND MANAGEMENT FEES</b>
2.01	Fund management fees are usually expressed as basis points (bps) against the value of the assets managed, where 1.00% = 100 bps. Hence if market value increases so do the fees in absolute terms and vice versa. Generally, the more invested the lower the bps charged which is the theory behind why pooling investments should result in lower fees. Fees vary by asset class and within asset classes.
2.02	<p><b>Investment styles</b></p> <p><b>i) Passive or Active</b></p> <p>It is possible to achieve a return which maps the market return (beta) for an asset class, and this is known as <b>passive</b> investing and can be done at a relatively low cost. The more value you ask a fund manager to provide above the market return (known as <b>active</b> investing or adding alpha) the higher the fee as you are paying for the skill of that fund manager. For example, using listed equity as an asset class, to achieve a market return could cost say 1-4bps, but ask a manager to beat the market by 2% per annum could cost say 30 – 50 bps. There is much debate and research on which approach provides better value for money. Fees for investing in equity also vary across geographies, for example fees will be higher for investing in the less liquid, less transparent Emerging Markets but the returns are expected to be higher over the longer term.</p>
2.03	<p><b>ii) Private Equity</b></p> <p>Private equity investing can add significant value, as the manager will actively buy, hopefully increase its value over a number of years and then sell a private company. This style of investing requires the investor to lock in the capital for a number of years, and is therefore only suitable for investors that can manage this illiquidity. The manager will be very proactive in managing the investments and as such fees are much higher at around 100 – 250 bps but so are the potential returns; on average +6% above listed equity markets might be expected over the long term.</p>
2.04	<p><b>iii) Volatility/Protection</b></p> <p>However, especially in listed equities if the market falls by 20%, the passive investor value falls by 20% but the active investor is still likely to fall by 18 – 22%. Therefore pension funds do not just pay fees for potential higher returns; they can also pay fees for protection against severe and continuous falls in equity markets or to give less volatility of return. For example hedge funds can play a role within a diversified portfolio because they are often designed to increase in value when traditional markets fall. The cost of this protection can be relatively high with fees often in the region of 200bps but value for money can best be measured at times of severe stress in the market.</p> <p>Another way of protecting the Fund against adverse movements in the value of assets compared to its liabilities is to create a portfolio that moves in a</p>

	similar way to the liabilities. This is known as Liability Hedging, or Liability Driven Investing (LDI).																								
2.05	<p><b>iv) Diversification</b></p> <p>In reality a pension fund will have a mixture of these and other assets and styles of management in its overall strategy dependant on funding position, maturity and trustee attitude towards risk. There is no right or wrong answer because each pension fund will be in a different situation but the asset allocation will be the driver for the level of fees. The fund will aim to have a diversified portfolio that will help it to achieve its strategic requirements whilst managing volatility. Whether these fees provide value for money is then dependent mainly upon the market and will vary over market cycles.</p>																								
<b>3.00</b>	<b>CLWYD FUND PERSPECTIVE</b>																								
3.01	Every three years the Fund Actuary undertakes an actuarial valuation to determine both the cost the employers needs to pay for the future benefits of members and any deficit payments for past service. Within the resulting Funding Strategy Statement the actuary will assume an investment return for future service contributions and deficit payment. At the 2016 Valuation the investment return assumption for future service was CPI +2.75% and past service was CPI +2%. In simple terms, if these target returns are not achieved by the return on the Fund's assets the cost falls back on employers at the next Actuarial Valuation.																								
3.02	<p>The investment consultant considers how best to achieve these returns on a consistent basis and designs an asset allocation which considers both return and risk. The current strategic asset allocation is shown below:</p> <table border="1" data-bbox="504 1227 1197 1955"> <thead> <tr> <th>Asset Class</th> <th>Strategic Allocation (%)</th> </tr> </thead> <tbody> <tr> <td>Developed Global Equity</td> <td>8.0</td> </tr> <tr> <td>Emerging Market Equity</td> <td>6.0</td> </tr> <tr> <td>Credit</td> <td>15.0</td> </tr> <tr> <td>In-house Assets</td> <td>22.0</td> </tr> <tr> <td>    <i>Real Assets</i></td> <td>12.0</td> </tr> <tr> <td>    <i>Private Markets</i></td> <td>10.0</td> </tr> <tr> <td>Tactical Portfolio</td> <td>21.0</td> </tr> <tr> <td>    <i>Diversified Growth</i></td> <td>10.0</td> </tr> <tr> <td>    <i>Best Ideas</i></td> <td>11.0</td> </tr> <tr> <td>Managed Account</td> <td>9.0</td> </tr> <tr> <td>Liability Hedging</td> <td>19.0</td> </tr> </tbody> </table>	Asset Class	Strategic Allocation (%)	Developed Global Equity	8.0	Emerging Market Equity	6.0	Credit	15.0	In-house Assets	22.0	<i>Real Assets</i>	12.0	<i>Private Markets</i>	10.0	Tactical Portfolio	21.0	<i>Diversified Growth</i>	10.0	<i>Best Ideas</i>	11.0	Managed Account	9.0	Liability Hedging	19.0
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3.03	At the time of design this allocation was expected to achieve CPI +4.1% (on a best estimate basis) with a 10 year time horizon. It was also calculated that in terms of stress testing a 1 in 20 year downside event could add approximately £245m to the funding deficit.																										
3.04	The Fund's focus is very much on downside market risk and the impact of inflation on the value of liabilities and minimising the impact on the cost to employers in these scenarios. However, given the LGPS is still an open scheme we still need to generate enough return i.e. take investment risk, to meet future liabilities. It is this balance that is difficult to achieve and this risk management that can result in higher management fees.																										
3.05	The Fund's Investment Strategy Statement explains how the Fund attempts to achieve this balance and shows the expected risk and return for each asset class which is part of the diversified asset allocation. An analysis of this is shown at Appendix 1.																										
3.06	<p><b>Fund Management Fees</b></p> <p>The fund management fees paid by the Fund for each asset class is shown below:</p> <table border="1" data-bbox="478 913 1225 1413"> <thead> <tr> <th rowspan="2">Asset Class</th> <th colspan="2">Fees</th> </tr> <tr> <th>£000's</th> <th>bps</th> </tr> </thead> <tbody> <tr> <td>Equity</td> <td>2,114</td> <td>80</td> </tr> <tr> <td>Credit</td> <td>172</td> <td>8</td> </tr> <tr> <td>In-house: Real Assets and Private Markets</td> <td>10,399</td> <td>269</td> </tr> <tr> <td>Tactical Portfolio</td> <td>1,163</td> <td>33</td> </tr> <tr> <td>Managed Account</td> <td>962</td> <td>64</td> </tr> <tr> <td>Liability Hedging</td> <td>951</td> <td>24</td> </tr> <tr> <td><b>Total</b></td> <td><b>15,761</b></td> <td><b>90</b></td> </tr> </tbody> </table> <p>The table shows fees by asset class for the last full financial year (ended 31 March 2018) and should be viewed in conjunction with the Strategic Asset Allocation, and the risk/return expectations shown within the Appendix.</p>	Asset Class	Fees		£000's	bps	Equity	2,114	80	Credit	172	8	In-house: Real Assets and Private Markets	10,399	269	Tactical Portfolio	1,163	33	Managed Account	962	64	Liability Hedging	951	24	<b>Total</b>	<b>15,761</b>	<b>90</b>
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3.07	<p><b>Investment returns</b></p> <p>The overall Clwyd Pension Fund achieved 3 year annualised returns to the end of September 2018 of 11.8% net of fees compared with the strategic target of 6.3% and the actuarial target of 4.2%.</p>																										

The table below shows return by asset class and the target return in the market conditions:

Asset Class	12 months %		3 years % p.a.	
	Fund	Target	Fund	Target
Equity	7.0	10.6	18.1	21.3
Credit	-0.6	1.5	2.8	1.4
In-house: Real Assets and Private Markets	7.4	6.7	10.9	5.7
Tactical Portfolio	2.9	5.5	7.4	5.3
Managed Account	0.3	4.0	-0.7	4.0
Liability Hedging	14.8	14.8	23.4	23.4
<b>Total</b>	<b>7.7</b>	<b>7.6</b>	<b>11.8</b>	<b>10.3</b>

The table shows:

- Most of the asset classes have achieved their target returns over a 3 year period.
- There has been very strong growth in listed equities over the 3 year period but the equity fund managers have not achieved their targets over these periods.
- Overall fees paid have provided value for money.

#### 4.00 CONCLUSIONS

4.01 In terms of fees, most of the fees in percentage terms are charged in real assets and private markets and the managed account as expected. The real assets and private markets portfolios have achieved a very good return but in this market have not outperformed listed equities. Real assets and private markets include: private equity, infrastructure, property, timber and agriculture.

4.02 The returns on the managed account are disappointing but this allocation is in place to protect the Fund during falling markets, which have not been the case during this period. If we have had a 'crystal ball' we could have invested more in equity at a very low cost during this three year period. Unfortunately it is impossible to predict markets. Global Equity markets could have fallen significantly this period or this could happen in the future.

4.03 The Fund's 3 year Business Plan includes an investment strategy review during 2019/20. The Fund is in a very different financial position than the last Actuarial Valuation (at the time of writing) so it is expected that the asset allocation will change which in turn will change fees. The investment consultant will be instructed to implement at the lowest possible cost without sacrificing the risk management and downside protection already imbedded. Going forward fund manager appointments and fees will be the responsibility of the WPP. An external organisation CEMs Benchmarking has been appointed to benchmark these costs.

4.04	In summary, the Audit Committee should be assured that on balance value for money is being achieved from the fund management fees. Investment returns have exceeded targets net of fees. However, given recent positive markets a higher return could have been achieved at a lower cost as taking more equity risk would have been rewarded, but this is impossible to predict. The Fund's risk management approach is designed to reduce the impact on employers during sustained periods of falling markets and higher inflation. Achieving this at the lowest possible cost will be considered again during the investment review next year.
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<b>5.00</b>	<b>RESOURCE IMPLICATIONS</b>
5.01	None, but this report considers value for money of the £15m of fund management fees reported in the 2017/18 annual accounts.

<b>6.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
6.01	None directly as a result of this report.

<b>7.00</b>	<b>RISK MANAGEMENT</b>
7.01	The report discusses pension fund and employer financial risks.

<b>8.00</b>	<b>APPENDICES</b>
8.01	Extract from Clwyd Pension Fund Investment Strategy Statement – Risk/return assumptions 2016/17

<b>9.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
9.01	Clwyd Pension Fund: Funding Strategy Statement; Investment Strategy Statement; Training Policy; Risk Policy; Business Plan; Clwyd Pension Fund Committee Papers;  <b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager <b>Telephone:</b> 01352 702264 <b>E-mail:</b> philip.latham@flintshire.gov.uk

<b>10.00</b>	<b>GLOSSARY OF TERMS</b>
10.01	(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region

- (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
- (c) **PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund
- (d) **LPB or PB – Local Pension Board or Pension Board** – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, of which the Clwyd Pension Fund is part.
- (f) Investments terms – A glossary of investment terms produced by the Investment Association can be found here:

<https://www.theinvestmentassociation.org/all-about-investment/glossary.html?letter=A#term-9>

## Appendix 1

### Extract from Clwyd Pension Fund Investment Strategy Statement

The table below shows the expected risk and return figures that were utilised for each asset class in the 2016/17 strategic review:

Asset Class	Expected return above inflation p.a. *	Expected Risk (Volatility) p.a. **
Developed Global Equity	+4.5%	14%
Emerging Market Equity	+5.5%	20%
Credit Portfolio	2.1%	6%
<i>Multi-Asset Credit (liquid)</i>	+1.8%	5%
<i>Private Credit (illiquid)</i>	+3.5%	12%
Real Assets Portfolio	4.9%	11%
<i>Property</i>	4.0%	5%
<i>Infrastructure</i>	5.3%	14%
Private Markets	+6.5%	28%
Tactical Portfolio	+3.6%	9%
<i>Diversified Growth</i>	+4.2%	9%
<i>Best Ideas **</i>	+3.0%	9%
Managed Account ***	+4.0%	6%
Liability Hedging	+4.5%	15%

\* Expected return is expressed as an excess long-term return over Inflation (measured by CPI) to reflect the extra risk being taken, excluding active management. This is based on JLT Market Forecast as at the date of the 2016 strategic review. CPI is used as the basis for expected returns as they are a proxy for valuing the liabilities.

\*\* Expected risk is based on 10 year historic returns and volatility

\*\*\* The managed account includes allocations to Managed Futures and Hedge Funds

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 21 November 2018
<b>Report Subject</b>	Internal Audit Progress Report
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the Committee to fulfil the Terms of Reference with regards to Internal Audit.

The current report is attached.

### RECOMMENDATIONS

1	To consider and accept the report.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT</b>
1.01	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.
1.02	The level of audit assurance for standard audit reviews is detailed within Appendix A. All reports finalised since the last committee meeting are shown in Appendix B.
1.03	During the Audit Committee facilitation workshop it was agreed that a profile of the audit assurance and priority of actions would be included as part of the Internal Audit Progress report rather than waiting until the annual report.

	This will provide an oversight to Audit Committee on the cumulative assurance throughout the year, however it should be noted this will be fluid throughout the year. This profile is shown in Appendix C.
1.04	Since June 2018, one 'Red' or 'Limited' assurance opinion has been issued for General Data Protection Regulations (GDPR). Details of this review is noted within Appendix D. Copies of all final reports are available for members if they wish to see them.
1.05	At the request of the Committee Appendix E provides an overview of those audits reports issued with an Amber Red assurance opinion.
1.06	<p>The automatic tracking of actions continues using the integrated audit software. All actions are tracked automatically and the system allows Managers and Chief Officers to monitor their own teams' outstanding actions and confirm they are being implemented.</p> <p>E-mail alerts are generated by the system and sent to the responsible officer and their manager before the action is due. E-mails are also sent to them and copied to Chief Officers if actions are not completed on time. Monthly reports are also sent to Chief Officers informing them of outstanding actions for their teams.</p> <p>Appendix F shows the current situation. Of 836 actions entered into the system 730 have been cleared and 106 remain live. There are 32 actions overdue actions to be reported, listed in Appendix G</p> <p>Appendix H lists all actions with a revised due date of six months from the original due date and a note on how the risk is being managed. For each revised due date entered onto the system, the officer is required to provide a reason to support this change.</p> <p>To avoid repetition in the report, where an action is older than six months and overdue this action will be included within the Appendix G, Actions Overdue.</p>
1.07	Appendix I shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.
1.08	Appendix J shows the range of performance indicators for the department. Overall performance continues to meet the current targets set however there has been a slight reduction in the 'Audits Completed within Planned Time'. This will continue to be monitored.
1.09	Appendix K shows the current position of work being finalised from the 2017/18 plan.
1.10	Appendix L shows the current position of the 2018/19 plan.
1.11	On a quarterly basis the 2018/19 plan will be reviewed and reprioritised to accommodate new requests for work or to respond to emerging issues. Since April 2018 we have had 6 new requests for work, which are listed below and also shown in the Appendix L, highlighted in red.

	<ul style="list-style-type: none"> <li>• North Wales Residual Waste – CNIN Verification of Local Labour Figures</li> <li>• Review of Method Statements</li> <li>• Review of Pay Modelling Assumptions and Methodology</li> <li>• Carbon Reduction Scheme</li> <li>• Public Burials</li> <li>• Budget Workforce Group</li> </ul>
1.12	<p>Review of the annual plan (since it was submitted for approval in March 2018) and as reported to Audit Committee in June, has identified the need to reduce the number of audits. In total 10 audits have been deferred. None of the audits deferred were carried over from 2017/18 and only two were High Priority.</p> <p>These two audits relate to the review of any new Alternative Delivery Models (ADM's) and Community Asset Transfers (CATs) in the year. To date there have been no ADMs or CATs requiring Internal Audit's involvement. Appendix L clearly shows those audits deferred within the audit plan (highlighted in green). The plan has also been updated to align with the new operating model following the recent changes within the Chief Officers Team. Any further changes to the plan will be reported back to Audit Committee.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a direct result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix A – Levels of Audit Assurance</p> <p>Appendix B – Final Reports Issued Since June 2018</p> <p>Appendix C – Audit Assurance and Priority of Actions</p> <p>Appendix D – Red / Limited Assurance Reports Issued</p> <p>Appendix E – Amber Red Assurance Reports Issued</p> <p>Appendix F – Action Tracking – Portfolio Statistics</p> <p>Appendix G – Over Due Actions (including actions older than 6 months if overdue)</p> <p>Appendix H – Actions with Revised Due Date Six Months Beyond Original Due Date and not overdue</p> <p>Appendix I – Investigation Update</p> <p>Appendix J – Performance Indicators</p>

	Appendix K – Operational Plan 2017/18 (Carry Forward) Appendix L – Operational Plan 2018/19
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<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Minutes of the Corporate Governance Committee, Denbighshire – Joint Corporate Procurement Unit.  <a href="https://moderngov.denbighshire.gov.uk/mgAi.aspx?ID=13038&amp;LLL=0">https://moderngov.denbighshire.gov.uk/mgAi.aspx?ID=13038&amp;LLL=0</a></p> <p><b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager  <b>Telephone:</b> 01352 702231  <b>E-mail:</b> Lisa.brownbill@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p><b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Wales Chief Auditors Group:</b> An informal meeting group of Chief Auditors to discuss items of mutual interest.</p> <p><b>Operational Plan:</b> the annual plan of work for the Internal Audit team.</p>

# Flintshire Internal Audit

Progress Report



November  
2018

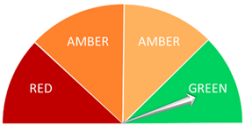
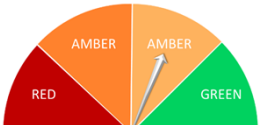
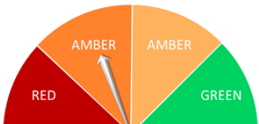

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# Levels of Assurance – Standard Audit Reports

# Appendix A

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, and summary findings from Amber Red audits will be reported to the Audit Committee.

Level of Assurance	Explanation
<p><b>Green – Substantial</b></p> 	<p><b>Strong controls in place (all or most of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist and are applied consistently and effectively</li> <li>• Objectives achieved in a pragmatic and cost effective manner</li> <li>• Compliance with relevant regulations and procedures</li> <li>• Assets safeguarded</li> <li>• Information reliable</li> </ul> <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p> <p><b>Follow Up Audit:</b> 85%+ of actions have been implemented. All high priority actions have been implemented.</p>
<p><b>Amber Green – Reasonable</b></p> 	<p><b>Key Controls in place but some fine tuning required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact</li> <li>• Some refinement or addition of controls would enhance the control environment</li> <li>• Key objectives could be better achieved with some relatively minor adjustments</li> </ul> <p>Conclusion: key controls generally operating effectively.</p> <p><b>Follow Up Audit:</b> 51-85% of actions have been implemented. All high priority actions have been implemented.</p>
<p><b>Amber Red – Some</b></p> 	<p><b>Significant improvement in control environment required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively</li> <li>• Evidence of (or the potential for) financial / other loss</li> <li>• Key management information exists but is unreliable</li> <li>• System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.</li> </ul> <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p><b>Follow Up Audits -</b> 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p>
<p><b>Red – Limited</b></p> 	<p><b>Urgent system revision required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls are absent or rarely applied</li> <li>• Evidence of (or the potential for) significant financial / other losses</li> <li>• Key management information does not exist</li> <li>• System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.</li> </ul> <p>Conclusion: a lack of adequate or effective controls.</p> <p><b>Follow Up Audit -</b> &lt;30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p>
<p><b>Categorisation of Actions</b></p>	<p>Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses</p>
<p><b>Value for Money</b></p>	<p>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.</p>

## Final Reports Issued Since June 2018

## Appendix B

The following reports and advisory work have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified.

Project Reference	Portfolio	Project Description	Audit Type	Level of Assurance	Actions		
					High	Med	Low
28-2017/18	Gov	GDPR	Risk Based	Red	3	2	1
33-2017/18	P&R	Payroll	System	Amber Red	2	8	5
40-2017/18	Ext	Pensions Administration	Risk Based	Amber Red	1	1	3
13-2017/18	Gov	Joint Procurement Unit	Risk Based	Amber Red	0	13	0
34-2017/18	E&Y	Risk Based Thematic Review	Risk Based	Amber Green	0	4	1
29-2017/18	Gov	Legal Case Management System	Risk Based	Amber Green	0	5	3
39-2017/18	E&Y	Ysgol Maes Garmon	Risk Based	Amber Green	0	2	1
37-2017/18	E&Y	Ysgol Penalag	Risk Based	Amber Green	0	2	3
35-2017/18	E&Y	Ysgol Derwenfa	Risk Based	Amber Green	0	2	0
02-2018/19	Ext	Theatre Clwyd	Risk Based	Amber Green	0	1	3
43-2017/18	SS	Safeguarding Adults at Risk	Risk Based	Amber Green	0	1	3
03-2018/19	P&R	School Funding Formula	Risk Based	Amber Green	0	0	5
08-2018/19	H&A	Gypsy Travellers	Risk Based	Amber Green	0	3	2
38-2017/18	E&Y	Ysgol Estyn	Risk Based	Green	0	0	1
26-2017/18	E&Y	Penyfordd School	Risk Based	Green	0	1	1
42-2017/18	E&Y	Mold Alun High School	Risk Based	Green	0	0	1
20-2018/19	E&Y	Pupil Statistics	Risk Based	Green	0	0	2
30 – 2018/19	E&Y	Education Improvement Grant	Grant Audit	Grant Audit	-	-	-
30 – 2018/19	E&Y	Pupil Development Grant	Grant Audit	Grant Audit	-	-	-



Project Reference	Portfolio	Project Description	Audit Type	Level of Assurance	Actions		
					High	Med	Low
AC 25-2018/19	PE&E	CRC Submission	Commissioned	Advisory	N/A	N/A	N/A
AC 01-2018/19	Corp	Review of Method Statements	Consultancy	Advisory	N/A	N/A	N/A
27-2018/19	Corp	Use Consultants	Consultancy	Advisory	N/A	N/A	N/A
AC 04-2019/19	P&R	Review of Pay Modelling- 18/19	Consultancy	Advisory	N/A	N/A	N/A
AC 02-2018/19	E&Y	School Uniform Grants	Advisory	Advisory	N/A	N/A	N/A
AC 18-2017/18	S&T	Public Burials	Advisory	Advisory	N/A	N/A	N/A
24-2018/19	H&A	Supporting People	Advisory	Advisory	N/A	N/A	N/A
AC 21-2018/19	Ext	CNIM – Review of Local Labour	Consultancy	Consultancy	N/A	N/A	N/A
41-2017/18	Ext	NEWydd Cleaning and Catering	SLA	External Report	-	-	-

## Audit Assurance Summary

## Appendix C

Portfolio	Number of Reports & Assurance					
	Red	Amber Red	Amber Green	Green	Advisory - No Opinion Given	In Total
Corporate					2	2
Education & Youth			4	4	3	11
Governance	1	1	1			3
Housing & Assets			1		1	2
People & Resources		1	1		1	3
Planning, Environment & Economy					1	1
Social Services			1			1
Streetscene & Transportation					1	1
External		1	1		2	4
<b>Total</b>	<b>1</b>	<b>3</b>	<b>9</b>	<b>4</b>	<b>11</b>	<b>28</b>

Priority & Number of Agreed Actions			
High	Medium	Low	In Total
	11	10	21
3	20	4	27
0	3	2	5
2	11	7	20
	1	3	4
1	2	6	9
6	48	32	86

## Appendix D

## Reports Issued ‘Red / Limited’ Assurance

## General Data Protection Regulations (GDPR)

## Background

The Data Protection Act is changing. As part of the Internal Audit Plan for 2017/18 a review was undertaken of the new European Law General Data Protection Regulations (GDPR), which comes into effect in May 2018.

The GDPR seeks to create a harmonised data protection law framework across the EU and aims to give individuals back the control of their personal data, whilst imposing strict rules on those hosting and processing this data, anywhere in the world. Although similar to the Data Protection Act, GDPR reflects the changes in technology since 1998.

The GDPR refers to sensitive personal data as "Special categories of personal data". The GDPR applies to personal data which includes both automated personal data and to manual filing systems where personal data is accessible according to specific criteria.

Under GDPR the Council will collect, use and manage personal data in a different way to the DPA.

The main focus of this review was to provide an audit opinion on the adequacy of the arrangements in place to support and comply with GDPR across the Council prior to its implementation.

The review also covered:-

- The identification, assessment and recording of all information assets into the Corporate Information Asset Register.
- New rights for individuals have been identified and are being considered across the Council.
- Data owners are confident that their systems have the capacity to fully adhere to GDPR.
- The processing of personal data referred to as the conditions for processing does have a legal basis.

The implementation of GDPR across the Authority has been given a high priority by Chief Officers and Senior Managers.

The Information Governance Team has implemented a structured corporate project which has been in place for over 12 months. They have been proactive in their approach to offer advice and guidance to Chief Officers and Senior Managers. They have also provided extensive training sessions for Data Protection and GDPR, also drop in sessions have taken place specifically aimed at elements of the new regulations and a large

amount of communication has been written and shared to the workforce.

However, given the amount of externally procured IT systems, it is still unknown if the 3rd party suppliers can give assurance that the systems they provide to us will comply with GDPR on 25th May 2018 and therefore the overall audit opinion is limited assurance.

## Overall Conclusion:

The review found that clear project management arrangements were in place to facilitate the introduction of GDPR. This included the appointment of a Dedicated Compliance Officer, the establishment a Corporate GDPR project board and a GDPR practitioner's project group for the representatives from Portfolios (Data Protection Representatives). Until the middle of March this group met monthly and after this date meet fortnightly in order to provide regular updates on the GDPR implementation. The project has been initiated with a detailed project plan managed within the CAMMS system. As part of this process, the new rights for individuals have been identified and a new Asset Management system introduced. Extensive training sessions, drop in sessions and workforce communication has been provided.

Whilst a significant amount of work has been undertaken by the service, the review identified that there were areas where further work was required by frontline services in order to gain assurance that the Council was overall compliant as of May 25th. This included data owners needed to confirm whether their 3rd Party systems have the capacity to fully adhere to GDPR; all Privacy Notices need to be reviewed; the responsibilities of the Data Protection Representatives need to be defined; all Council services should adhere to the GDPR guidance issued by the Information Governance Team (IGT); the Information Asset Register should be fully completed and the content accurate and the retention schedules need to be prepared to meet the Council's needs.

The reviewed acknowledges the work that has been undertaken by the service however the risk remains that that the Council is still reliant on third party suppliers to confirm and configure their systems to ensure compliance. As a consequence this review has been given a red / limited assurance opinion as it is unlikely the Council will comply with the GDPR by May 25th.

Since the audit significant work has been undertaken by the Council to ensure corporate ownership is in place by Chief Officers and Service Managers to accomplish the requirements of GDPR. Out of the six actions raised during the audit, five have been implemented and considerable work has been undertaken towards closing the remaining two. Whilst progress against each action is detailed in the table below, a separate report is to be presented to Committee by the Chief Officer, Governance to deliver a more in depth update and provide assurance to the Committee over how the Council is managing the obligations of GDPR.

GDPR Action Plan: –

No.	Findings and Implications	Agreed Action	Who	When	Current Status
1 (R)	<p><b>Information Asset Register</b></p> <p>A corporate Information Asset Register (IAR) is in place and Managers have been instructed and trained to fully populate with their identifiable assets.</p> <p>In the service areas within portfolios which were examined in more detail, it was found that asset owners had made some attempt to complete the IAR but had not finished and in other cases, asset owners had not made a start to include any assets onto the IAR. This was due to resource issues and the predetermined retention periods being inaccurate within the IAR. At present (23/3/18) there are:-</p> <p>Total assets recorded – 1127                      Approved – 732                      Pending – 142                      Rejected – 33                      Not submitted for approval – 220</p> <p>The Information Governance Manager believes there are a large number of assets which are not currently contained within the</p>	<ol style="list-style-type: none"> <li>All Chief Officers plus their Data Protection representatives to meet the Information Governance Manager and his team for help to draw up an action plan for their service. The responsibility to draw up the plan and implement it rests with each Chief Officer based on advice received. Meeting to take place during June and action plan to be ready by end of June. (Information Governance Manager to circulate the up to date position on GDPR compliance to CO's ahead of the meeting referred to above).</li> <li>The Chief Officer (Governance) will re-inforce the urgency to Chief Officers in the next Chief Officers Team (COT) to instruct their staff to fully populate the IAR.</li> </ol>	All Chief Officers	30/09/2018	<p><b>Implemented</b></p> <ol style="list-style-type: none"> <li>Information Governance Manager has met all Chief Officers and advised what needs to be included in the action plans. This has been re-enforced through the Data Protection Representatives at the monthly Data Protection Meetings.</li> <li>Portfolio action plans are a standing agenda item at every monthly meeting.</li> <li>A central location has been created for all Portfolio action plans to be saved.</li> <li>Chief Officer (Governance) has escalated to COT</li> </ol>

No.	Findings and Implications	Agreed Action	Who	When	Current Status
	<p>IAR. This was confirmed following completion of the testing.</p> <p>Testing was carried out on specific services in the following areas:-</p> <ul style="list-style-type: none"> <li>• County Registrars Service;</li> <li>• Flintshire Connects Service and Blue Badges;</li> <li>• Theatr Clwyd;</li> <li>• Council Tax and NNDR;</li> <li>• Regulated Services, Adult Social Care;</li> <li>• Schools Modernisation team;</li> <li>• Payroll (only IAR reviewed).</li> </ul> <p>The majority of the services have made a start to include the assets into the corporate register. However, some portfolios have not yet added assets into the IAR and the Council is at risk of not being GDPR compliant by the 25th May 2018.</p> <p>Whilst Theatr Clwyd are seen to be separate to the Council and they maintain their own asset register and have separately registered with the ICO for the box office. They have attended the GDPR corporate project group but not frequently. At present they are to be classed as a Council Service and therefore full adherence to GDPR as stated by the Information Governance Team is required.</p>	<p>This includes all service areas of the Council including Clwyd Theatr Cymru who must adhere to GDPR in accordance with the guidance as issued by the IGT.</p> <p>3. Each Chief Officer will take responsibility for ensuring this action is addressed within their Portfolio.</p> <p>URN 02133</p>			<p>colleagues. IAR stats are reported to the DP Project Board. Full details of all assets that need re-submitted have been provided to Portfolios.</p> <p>There are currently 1,411 assets in the IAR, with 72 requiring further action by Portfolios.</p> <p>Theatr Clwyd have a comprehensive Data Protection compliance document. Information Governance Manager attends Theatr Clwyd DP team meeting.</p> <p>3. Each Chief Officer has been tasked with maintaining Action Plans for their respective Portfolios.</p>

No.	Findings and Implications	Agreed Action	Who	When	Current Status
	<p>The implication is that as a Council Service if they fail to adhere internally, then the Council will not be compliant with GDPR in May.</p>				
2 (R)	<p><b>System Capabilities</b></p> <p>Ability to comply with the new rights for individuals and the basic requirements of deletion and full compliance with retention periods are not yet known for the majority of IT systems used across the Council.</p> <p>The System Administrators are responsible for ensuring the systems are capable of delivering what is required to ensure compliance and most of the system administrators are currently in talks with their system providers.</p> <p>The Information Governance Team have provided a number of system admin training workshops which were well attended and have established a set of defined test sheets which system administrators need to complete.</p> <p>Very few systems across the Council have been tested to determine full or partial compliance with the new rights as most System Administrators are awaiting</p>	<ol style="list-style-type: none"> <li>In addition to 1(R) above the action should include all systems used and owned within each portfolio to provide a comprehensive statement regarding system capability, ensuring adherence to GDPR.</li> <li>The testing on each system should be carried out and the results supplied to the Information Governance Team immediately.</li> <li>The Information Governance Manager will continue to maintain a spreadsheet which identifies the software systems where we do not have confirmation of compliance, via each Portfolio at every Data Protection Team meeting.</li> <li>Portfolios should seek to confirm</li> </ol>	<p>All Chief Officers</p> <p>Information Governance Manager</p> <p>Chief Officer, Governance</p> <p>All Chief</p>	<p>30/09/2018</p> <p>30/09/2018</p> <p>30/09/2018</p> <p>30/09/2018</p>	<p><b>In Progress</b></p> <ol style="list-style-type: none"> <li>Chief Officers have been advised that Individual Rights compliance should be included in the Portfolio action plans.</li> <li>Test sheets have been supplied to all System Admins to evidence the testing. Completed test sheets should be provided to the Information Governance Team.</li> <li>The IG Team maintain a spreadsheet of compliance levels against each system.</li> </ol> <p>This is a standing agenda item at the monthly meetings and reported to the DP</p>

No.	Findings and Implications	Agreed Action	Who	When	Current Status
	<p>confirmation from their 3<sup>rd</sup> parties.</p> <p>COT have received a list of the main IT systems that require testing, this was issued by the Information Governance Manager.</p> <p>The main risks associated with this are noncompliance of 3<sup>rd</sup> party systems and any associated costs which they request to comply with GDPR. Failure to test systems for compliance with the new rights will leave the Council in a vulnerable position should the new rights be exercised and the System Administrators are unable to confirm that the system is able to achieve the requirement/s of the Act.</p>	<p>compliance where they have not already done so. Where we do not have confirmation of compliance from suppliers (despite reminders and chasers being sent by the Authority), these systems will be escalated by the Chief Executive and Chief Officer Governance who will formally write to the suppliers on behalf of the Council.</p> <p>The Data Protection Representatives (DPR) should be ensuring their portfolios are aware of the urgency in obtaining the assurance from the system providers and regularly review and communicate with all Managers to obtain assurances.</p> <p>URN 02170</p>	<p>Officers</p>		<p>Project Board.</p> <p>4. This is a standing agenda item at the monthly DP meetings and the importance re-iterated at every meeting.</p>
<p>3 (R)</p>	<p><b>Privacy Notices</b></p> <p>In the majority of Service areas examined not all of the privacy notices had been reviewed and updated in accordance with GDPR. The current process which has been communicated to staff, is the Manager of the area would review and update accordingly,</p>	<p>1. As well as 1(R) and 2(R) the action plan should clearly identify compliance with GDPR for all privacy notices used across Portfolios.</p> <p>2. The E Forms which have privacy</p>	<p>All Chief Officers</p>	<p>30/09/2018</p>	<p><b>Implemented</b></p> <p>1. Chief Officers have been advised that Privacy Notices should be included in the Portfolio action plans.</p> <p>A Privacy Notice</p>



No.	Findings and Implications	Agreed Action	Who	When	Current Status
	<p>once completed they should issue the revised privacy notice to the IGT for them to review, to ensure compliance with GDPR. There are examples of good practice notices contained on the Council’s infonet to assist.</p> <p>The IGT have identified all Privacy Notices contained within E Forms on the Councils web site. They have contacted the staff who are responsible for the forms and have asked them to review, update and ensure adherence to the GDPR, a time scale for this to be completed has been set for the 11<sup>th</sup> May 2018.</p> <p>The implications of any Council privacy notice not being compliant with GDPR is a risk and individuals will not be aware of how the Council are processing their data, which may result in the Council being fined.</p>	<p>notices attached, and have not been submitted for review by the 11<sup>th</sup> May will be removed from the web site and should not be used again until they have been fully reviewed and are in compliance with GDPR.</p> <p>URN 02169</p>			<p>checklist is available to all staff on the Infonet to help draft compliant Privacy Notices.</p> <p>2. Any E-Form that has not been updated now has the generic Council Privacy Notice. A list is maintained and reviewed at every DP meeting and reported to the DP Project Board. There are 35 e-forms that do not have specific Privacy Notice and are relying on the generic Privacy Notice.</p>
4 (A)	<p>Each Portfolio has a Data Protection Representative (DPR) who attends the Data Protection Corporate Group (DPCG), and is the first point of contact for DP issues within portfolios. They disseminate information fed from the DPCG across their portfolios to ensure Managers and the workforce are aware of their responsibilities with regard to DP.</p>	<ol style="list-style-type: none"> <li>1. DP Representative’s should have a written terms of reference, which ensures full coverage of the whole portfolio and a prescribed description of expectations required of them.</li> <li>2. Some portfolios may want to address the DPR’s and may decide that more than one is</li> </ol>	Information Governance Manager	30/09/2018	<p><b>Implemented</b></p> <ol style="list-style-type: none"> <li>1. The revised TOR was approved at the October DP meeting.</li> <li>2. The TOR allow for more than one Portfolio representative, at the discretion of each Portfolio.</li> </ol>

No.	Findings and Implications	Agreed Action	Who	When	Current Status
	<p>Where there is one GDPR representative across a Portfolio made up of different service areas, evidence has been found where DP Reps have not disseminated across all the service areas in their Portfolio.</p> <p>This could result in service areas not receiving the information and advice required on the run up to GDPR.</p>	<p>required to ensure full coverage over the entire portfolio.</p> <p>URN 02131</p>			
5 (A)	<p>The Information Governance Manager has procured a retention schedule from an external source, mainly due to it being readily available, already completed and the resource capacity required to prepare an internal schedule. It has been found that there are instances where this retention schedule does not meet the current or proposed retention periods required by the Council to support the business needs of the Council.</p> <p>The current IAR automatically selects the retention period from a default list when the data type is selected and asset owners are unable to change the retention periods as the field is locked. This is causing problems for asset owners and a reluctance to input assets into the IAR which will then hold inaccurate retention periods. This is a known problem across the Council and has been discussed at the project group.</p>	<ol style="list-style-type: none"> <li>1. Data Protection Representatives to instruct their portfolio Managers to complete the IAR even where known problems and retention periods do not match corporately.</li> <li>2. The IAR is currently being developed in house to allow an extra field which the user can state the retention period they wish to adhere to which will differ from the dates suggested in the externally purchased version.</li> </ol> <p>URN 02134</p>	Information Governance Manager	30/09/2018	<p><b>Implemented</b></p> <p>Both points have been implemented.</p> <p>Development on the IAR has been completed to allow users to state their own retention period.</p>

No.	Findings and Implications	Agreed Action	Who	When	Current Status
	<p>A decision has been taken by the Information Governance Manager that asset owners should complete the IAR (which may populate the incorrect retention period), which will require altering at a later date. The decision has been made owing to time constraints to implement GDPR at present.</p> <p>Failure to address the retention period in the initial stages of rollout have resulted in inaccurate data within the IAR and the need to duplicate work at a later stage.</p>				
6 (G)	<p>There were instances found where staff members had originally been recorded as the data owner within the IAR, who have since moved portfolios. The details have not been updated to reflect the changes of ownership.</p> <p>It is the intention of the Information Governance Manager to annually verify with the data owner that the information they hold is accurate, although as the IAR has not been in place for 12 months, this process has not started.</p> <p>Inaccurate data within the IAR will result in incorrect data being recorded and stored.</p>	<p>Inform staff members to update any changes that are required within the IAR on a timely basis and ensure a review of their service area is carried out annually, as already stated and planned by the Information Governance Manager.</p> <p>URN 02142</p>	Information Governance Manager	31/12/2018	<p><b>Implemented</b></p> <p>This is workflow within the IAR that will generate an action on the Information Asset Owner to review assets on the anniversary of the asset being first approved. IAR is a standard agenda item at the team meeting and DP Project Board.</p> <p>The workflow to facilitate the annual testing is now live.</p>

Reports Issued ‘Amber Red / Some’ Assurance

Appendix E

**Employment Services - Payroll:**

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Areas Managed Well	Areas Identified for Further Improvement
<ul style="list-style-type: none"> <li>• The testing of payroll payments identified no payments outside the Authority’s current pay structure and scales set within the iTrent Payroll system.</li> <li>• BACS payment runs are adequately monitored and controlled.</li> <li>• Testing on timesheets and overtime submissions identified the appropriate level of authorisation.</li> <li>• Testing on employees identified all with valid National Insurance Numbers.</li> <li>• Inbuilt controls within I-Trent prevent duplicate employee reference numbers being created.</li> </ul>	<p>Key operating controls relating to the correct processing of employees’ salaries and safeguarding the organisations assets and interests from losses of all kinds are inadequate and/or ineffective.</p> <p>Our review identified:</p> <ul style="list-style-type: none"> <li>• There are limited controls to identify and review changes made by the Business and Compliance advisor to his respective salary and account within i-Trent.  <b>Agreed Management Action:</b> “A change to the current process has since been devised whereby ‘Super User’ access has been reinstated to all members of the Systems and Data Support team (not including the Employment Services Manager) and removed from the Business and Compliance Adviser. A monthly report has been created to automatically generate notification to the Employment Services Manager and the Senior Manager for Human Resources and Operational Development of changes made to any member of the System and Data Support team’s iTrent records. The effectiveness of the auto-generated report will be monitored for a period of 3 months.”</li> </ul> <p>The monthly Audit Report System Admin changes was produced and reviewed in July and August. This action has now been closed. The report will continue to be produced and generated monthly.</p> <ul style="list-style-type: none"> <li>• A process to remove leaver information from i-Trent in line with the Retention Policies and GDPR has not been implemented.  <b>Agreed Management Action:</b> “Midland have advised functionality is in place to allow for the removal of all required information to comply with GDPR requirements. Internal testing will be completed to provide assurance over this anticipated functionality.”</li> </ul> <p>Internal testing identified defects which have been reported to Midland and should have been rectified within the latest MHR software update (10.29). Testing of all modules within 10.29 has been delayed due to conflicting priorities for the Systems &amp; Data team resources. Time is being scheduled for testing and MHR have agreed for support to be available should any further issues be identified.</p> <ul style="list-style-type: none"> <li>• Leaver forms are incomplete. Reconciliation of leavers is not completed between the HR database</li> </ul>

	<p>and i-Trent to ensure the timely removal of leavers.  <b>Agreed Management Action:</b> “Undertake a reconciliation of all leaver forms to identify any that may be marked as actioned in Lotus Notes but not in iTrent, from 01.04.17 to date. Introduce a monthly reconciliation to ensure process adherence. Investigate .NET’s ability to process leavers and produce reports. Identify .Net and the ability to bulk add leavers for the purpose of TUPE transfers etc.”</p> <p>Reports have been produced to facilitate the reconciliation. The new system HR Forms is due to be launched imminently. Scoping of HR Forms reports will take place following the system go-live. A final reconciliation of Lotus notes should be complete following this. This action date has been extended until 31 December 2018.</p> <ul style="list-style-type: none"> <li>• There is limited evidence that all Payroll control reports have been actioned and any resulting issues have been dealt with.  <b>Agreed Management Action:</b> “Evidence will be retained to demonstrate that payroll check reports are being worked and that staff are operating in line with required procedure. Management will consider reviewing the nature of the reports in place to ensure they effectively identify errors and irregularities in pay prior to the monthly payroll run.”</li> </ul> <p>A review of all system generated messages was complete in May 2018. Control report parameters have been reviewed and amended. New starters have been included in the Net pay differences edit report. Data validation has been incorporated into the reports to ensure relevant columns are populated, and valid reasons provided. Additional checks have been introduced for new starters which are completed by the Team Leader HR monthly.</p> <ul style="list-style-type: none"> <li>• The change in position process is not being adhered including right to recruit.  <b>Agreed Management Action:</b> “Standard authorisation to be devised with the Business Partner (BP) team to determine what documentation is required in situations where a request to recruit form would not be pertinent such as redundancy, service reviews, medical redeployment, etc. ”</li> </ul> <p>This has been implemented.</p> <ul style="list-style-type: none"> <li>• A documented and approved process is not in place to support the current process followed by the payroll service when processing the permanent allowance increments.  <b>Agreed Management Action:</b> “A process to be documented and approved to support the annual</li> </ul>
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	<p>processing of the permanent allowance increases. This process should include the rounding of figures as well as the balancing of payments for various individuals. Annual report to be sent to schools advising them of any permanent elements paid to their staff and requesting confirmation of the relevancy of payment for the next financial year. A shared folder to be made available to Internal Audit.”</p> <p>This action is not due until 31/12/2018. No update has been provided to date.</p> <ul style="list-style-type: none"> <li>• New starter checklist are not being correctly completed and required evidence is not retained. In particular signed Contracts of Employment are not always retained on file to comply with Employment Law. <b>Agreed Management Action:</b> “New Starter checklist is reviewed by two separate individuals on the Employment Services team and these are acknowledged as complete prior to it being sent for scanning.”</li> </ul> <p>A new starter Audit has been introduced. Incomplete information identified is fed back and updates made. A process will need to be devised upon the introduction of HR forms. The due date for this action was extended until 31 March 2019.</p> <ul style="list-style-type: none"> <li>• Management information relating to overpayment data and trend analysis reporting for the Council is not consistently produced in a timely manner. <b>Agreed Management Action:</b> “Overpayments and Underpayments statistics will be produced within 3 weeks of the quarter end. The Senior Manager for Human Resources and Operational Development will communicate expectations of the Business Partnering team in relation to the actions to be taken following the report being distributed. The Overpayment &amp; Underpayment reports will be shared with COT on a quarterly basis. Reporting categories to be reviewed to reflect current position.”</li> </ul> <p>The Corporate Debt Team will be making the assessment as to whether it is possible to report on this information. A meeting has been scheduled with the Corporate Debt Team and the action date has been extended until 31 December 2019.</p> <ul style="list-style-type: none"> <li>• Documented procedures to support and facilitate the activities completed within the payroll service have not been devised.</li> </ul>
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	<p><b>Agreed Management Action:</b> “The extensive range of Standard Operating Procedure (SOPs) guides available within the Lotus Notes database requires review. ICT will be requested to provide a copy of the data. The guidance will be reviewed and placed within the new (created January 2018) centralised guidance notes folder on the ‘L’ Drive. The review will ensure that comprehensive documented procedures are formulated to reflect all current and revised processes undertaken by the ES Team (not just processes for iTrent input).”</p> <p>This action is not due until the 31 March 2019. No action has been completed at this time.</p> <ul style="list-style-type: none"> <li>Contracts of Employment are not always retained on file to comply with Employment Law.  <b>Agreed Management Action:</b> “Develop and agree an escalation procedure with BPs/Manager when signed terms of employment are not received.”</li> </ul> <p>Contracts of employments are now checked in a monthly audit. This is completed one month in arrears. Results for the month of September have demonstrated the process is working as designed. This action is now closed.</p> <ul style="list-style-type: none"> <li>Independent access level reviews to the Certifying Officers Database are not conducted.  <b>Agreed Management Action:</b> “Employment Services colleagues were reminded of the importance of making reference to the Certifying Officers database, at an Employment Services team meeting held on 27.04.18. The Leavers Report was enhanced in July 2017 to include a column for a Certifying Officer removal, to help ensure that Leavers were removed on a timely basis. Consider added check box to Leaver Form to highlight Certifying Officers.”</li> </ul> <p>Management action has been delivered and this action is now implemented.</p> <ul style="list-style-type: none"> <li>The leavers report had not been worked in November to ensure leavers access was made inactive in i-Trent.  <b>Agreed Management Action:</b> “Cross training will take place in order to enable all System and Data Support Administrators &amp; Assistants to ensure that the Business Processes continue to operate effectively in the absence of a colleague.”</li> </ul> <p>The appointment of an additional Systems &amp; Data Support Assistant has enabled cross training to ensure this report is actioned on a monthly basis in the absence of a counterpart. This action has now</p>
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	<p>been implemented.</p> <ul style="list-style-type: none"> <li>i-Trent access requests are not always fully completed, authorised or processed in a timely manner. Leavers’ access to i-Trent has not been completed in a timely manner as per agreed process.  <b>Agreed Management Action:</b> “The incompleteness of the access request forms relates to the current form’s requirement for sign-off by the Team Leader – Systems and Data Support. The access request form(s) will be redesigned to remove the necessity for sign-off within Employment Services. The revised form will be placed on the Infonet. Undertake reconciliations of all request forms to numbers given access.”</li> </ul> <p>This action is now implemented.</p> <ul style="list-style-type: none"> <li>Payroll Key Performance indicators are not in place to measure departmental and organisational performance to assist in the identification of control failures.  <b>Agreed Management Action:</b> “A number of payroll specific KPIs to measure productivity and effectiveness are to be identified and implemented.”                      This action is due on 31 January 2019.</li> <li>There are still issues with Missing Manager Field reports.  <b>Agreed Management Action:</b> “The Missing Reporting Manager report will be monitored for 6 months (until November 2018). If the issue arises from a manager not completing the HR Forms database correctly this will be escalated to the Business Partners and where the information has been recorded on the HR Form but not passed over the System and Data Support team, the Team Leader – HR and Employment Services Manager will be notified. When the new .NET database go live System and Data Support team should have a workflow email to notify them of the reporting manager change. Additional controls are also built into the .NET system and the missing manager will be a mandatory field.”</li> </ul> <p>This action is due on 31 December2018.</p>
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**Pension Administration:**

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Areas Managed Well	Areas Identified for Further Improvement
<ul style="list-style-type: none"> <li>The Clwyd Pension Fund’s Administration Strategy has a high profile within an effective governance arrangement.</li> <li>Life Cycle events are being processed accurately.</li> <li>Communications with stakeholders are delivered in line with the Communications Strategy.</li> <li>Disaster Recovery testing is carried out annually.</li> <li>The member Self-Serve facility on the Clwyd Pension Fund website has been successfully implemented.</li> <li>Control accounts and reconciliations are regularly performed for Cancelled pay and Lump sums and these are closely monitored.</li> <li>Monthly contributions from all contributing bodies are regularly reconciled and monitored.</li> </ul>	<p>Key controls relating to the pensions administration processes are ineffective and process objectives are not being met. This is primarily due to the number of ongoing projects which coupled with staff training have impacted on the service delivery.</p> <p>Our review identified:</p> <ul style="list-style-type: none"> <li>Performance is below the standards set by the Key Performance Indicators under the Administration Strategy.  <b>Agreed Management Action:</b> “Pension’s management team meetings are held every two weeks where the KPIs and any issues are discussed. Discussions at these meetings and any issues and resulting solutions will be recorded in a more formal action plan with immediate effect.”                      Due to the absence of the Pension Administrator Manager, this action has not yet been complete.</li> <li>Inadequate operational management action plan to facilitate timely interventions to ensure service objectives keep on track.  <b>Agreed Management Action:</b> “A Business Case is being produced which is seeking to increase the resource in the team. This will address the trend of increasing case load and the need for specialist in house resource. We will investigate incremental targets at the next internal management meeting and link actions accordingly.”                      This action has been completed.</li> <li>Inconsistent working practices across the team are leading to inefficient use of resources.  <b>Agreed Management Action:</b> “A message reiterating that documents showing calculations are only to be rescanned for manual interventions and training purposes will be made at the next section meeting.”                      Members of the team have been briefed in June on the correct procedure to follow relating to calculations where manual intervention has taken place. This action is now closed.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Pensions administration team consists of many relatively inexperienced members who require a significant amount of training and support increasing the time taken to process and reduce workloads.  <b>Agreed Management Action:</b> “Team Leader appraisals identified the requirement for the Team Leaders to devise training plans for the members of their respective teams. These are being completed and will include a column to detail training still required.”                      This action has been completed.</li> <li>• Time taken to resolve queries with contributing bodies is extensive.  <b>Agreed Management Action:</b> “A process of escalation for responses to queries will be put in place and communicated to the department at the next section meeting.”                      The Lead Technical Development Officer is now responsible for the identification of the appropriate senior person to escalate the year end return query in the event it is not resolved in the first instance. This action is now closed.</li> </ul>
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**Joint Corporate Procurement Unit:**

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Areas Managed Well	Areas Identified for Further Improvement
<ul style="list-style-type: none"> <li>Greater resilience in terms of capacity and staffing structure when compared to the previous arrangements in place.</li> <li>Procurement processes and systems have been modernised to develop a more standardised approach and to minimise duplication of effort.</li> <li>The Procurement Strategies of DCC and FCC have been developed, with the two documents mirroring each other in content.</li> <li>The CPRs of the two Councils have been aligned.</li> <li>Work has been carried out on the Proactis system to reduce the number of Proactis templates (and ensure the relevance of the tasks within the templates) to streamline processes and ensure consistency in use across the two Councils.</li> <li>Proactis system has been rolled out across both Councils (the CPR's confirm use of Proactis is compulsory for all procurement over £25k).</li> <li>Proactis is now routinely used for procurement activity over £25k, with 'Quick Quotes' used by most FCC services for procurement under £25k.</li> <li>Delivery of training in the use of Proactis (to 'contract award' stage).</li> <li>Work is currently ongoing to close down 'tasks' on the Proactis system to ensure all the data held on the system is complete.</li> </ul>	<p><b>Weaknesses in governance arrangements, including insufficient scrutiny and challenge of service delivery and performance, to ensure the achievement of objectives and expected outcomes detailed in the 2014 business case supporting the development of the JCPU.</b></p> <p>Our review of governance arrangements identified:</p> <ul style="list-style-type: none"> <li>There is inadequate scrutiny of JCPU objectives and outcomes by the Joint Procurement Board (JPB) and by relevant Council committees to address lack of progress in achieving the primary objectives of the JCPU business case around Efficiency, Capacity &amp; Markets.</li> </ul> <p><b>Agreed Management Action:</b> "This will be addressed by the JPB having regular meetings and providing Corporate Governance/Audit and Scrutiny committee with regular updates together with an annual report being presented to Cabinet committees".</p> <p style="padding-left: 20px;">The Legal &amp; Procurement Operations Manager has confirmed that this is now being done.</p> <ul style="list-style-type: none"> <li>Delays in the alignment of procurement strategy and procurement activity across the two Councils. Recent changes, e.g. board membership and corporate priorities, means that the strategy contains out of date information.</li> </ul> <p><b>Agreed Management Action:</b> "The procurement strategy will be updated during 2018/19 in accordance with the recommendations provided by the WLGA".</p> <p style="padding-left: 20px;">The Legal &amp; Procurement Operations Manager has confirmed that whilst this has not yet been actioned, the Strategy will be updated by 31.3.19.</p> <ul style="list-style-type: none"> <li>Limited processes in place for measuring and recording efficiency savings achieved through collaborative procurement. There is no evidence that efficiency savings and benefits have been reported to the JPB.</li> </ul> <p><b>Agreed Management Action:</b> "To ensure the JPB are kept informed of all potential efficiency savings from collaborative procurement activities, the board will :</p> <ol style="list-style-type: none"> <li>a. explore the possible systems available to measure efficiency savings;</li> </ol>

<ul style="list-style-type: none"> <li>• Standard contracts have been reviewed and amended by the Legal &amp; Procurement Operations Manager.</li> <li>• The 'Commissioning Form' and 'Tender Exemption Form' have been reviewed and updated.</li> </ul>	<ul style="list-style-type: none"> <li>b. agree how they will capture and measure non-financial savings;</li> <li>c. ensure there is an appropriate system in place to measure collaborative efficiencies;</li> <li>d. the Legal and Procurement Operations Manager should provide a report detailing missed opportunity for collaboration to the JPB; and</li> <li>e. consider longer term contracts, which will reduce procurement cost”.</li> </ul> <p>The Legal &amp; Procurement Operations Manager has confirmed the ‘savings document’ has now been agreed, and there is a spreadsheet in place to record savings. In addition the Board are updated on all collaborative opportunities, including those which have been missed, all of which are recorded on the spreadsheet. Longer term contracts are now being routinely flagged up. This was confirmed by the Procurement Business Partner (Strategic) who confirmed “A Procurement Efficiency Measurement Methodology has been developed which was presented to the JPB for sign off at the recent Board meeting. The methodology contained efficiency measurement calculations for new and recurring procurement projects as well as for cash and non-cash releasing savings. Also a spreadsheet has been developed that measures collaborative and project specific efficiencies”.</p> <p>“A review of Contract Procedure Rules relating to extensions, variations and direct awards to ensure markets are regularly tested and the most competitive price obtained.</p> <p>Staff to be reminded why extensions, variations and direct awards should only be taken up as a last alternative and should be for a minimum period of time while a tender is completed”.</p> <p>The Legal &amp; Procurement Operations Manager has confirmed that this has now started.</p> <ul style="list-style-type: none"> <li>• Limited evidence of reporting of KPI’s to the JPB / no robust targets in place for KPI’s.</li> </ul> <p><b>Agreed Management Action:</b> “A review of the KPI’s to be undertaken by the Legal &amp; Procurement Operations Manager to ensure they are relevant and measurable. Once completed, the new KPI’s will be approved by the JPB”.</p> <p>The Legal &amp; Procurement Operations Manager has confirmed that this review has been undertaken and new KPI’s are in place.</p> <ul style="list-style-type: none"> <li>• Insufficient systems for recording and monitoring the split of procurement staff time across the two Councils.</li> </ul> <p><b>Agreed Management Action:</b> “The Legal &amp; Procurement Operations Manager to consider the options available for a time recording system for staff to record time spent. A review of time spent working on Regional Procurement by DCC staff to be undertaken by the Legal &amp; Procurement Operations Manager with consideration being given to recharging the individual local authorities”.</p>
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	<p>The Legal &amp; Procurement Operations Manager has confirmed that a system is now being trialled, but has pointed out that unless the team are given budget for a new time recording system they will have no option but to revert back to the previous methods of time recording.</p> <ul style="list-style-type: none"> <li>• Meetings of the JPB not taking place on a regular basis, agendas for the JPB meetings not prepared and circulated in advance of meetings and JPB minutes not available for all meetings / minutes not circulated on a timely basis.</li> </ul> <p><b>Agreed Management Action:</b> “At the start of every year, the dates for the JPB will be entered into board members diaries and agendas and minutes provided prior to each meeting”.</p> <p>The Legal &amp; Procurement Operations Manager has confirmed that this is now being done.</p> <ul style="list-style-type: none"> <li>• Limited monitoring and evaluation of expenditure by category and aggregated spend (across services and / or Councils) by the JCPU to ensure opportunities for efficiency savings through collaborative procurement exercises are identified.</li> </ul> <p>Agreed Management Action: “The JCPU will consider reports that show expenditure by category and aggregate spend by service/authority to identify off contract spend and identify areas for collaboration”.</p> <p>The Legal &amp; Procurement Operations Manager has confirmed that this is now being done.</p> <ul style="list-style-type: none"> <li>• Due to limited availability of data, monitoring of contract end dates by the JCPU cannot take place to ensure opportunities for efficiency savings through collaborative procurement or alternative procurement models are appropriately explored.</li> </ul> <p><b>Agreed Management Action:</b> “In order for the JCPU to advise whether collaborative procurement can take place, the following information will be captured and held:</p> <ol style="list-style-type: none"> <li>a. the actual and potential collaborative procurements;</li> <li>b. details of any potential instances of collaboration which Services decline to take forward collaboratively;</li> <li>c. up to date information around contracts coming to an end across DCC/FCC in so far as the information is recorded on Proactis; and</li> <li>d. collaborative procurements with an approval made to the relevant Council//Service”.</li> </ol> <p>The Legal &amp; Procurement Operations Manager has confirmed that this is now being done.</p>
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**Limited high level corporate and political buy-in to the delivery of the joint service resulting in lack of prominence of service objectives across the two councils.**

Shortfalls with procurement activity within services were identified and listed in the Procurement Strategy 2016. Despite a procurement transformation programme to coincide with the launch of the strategy (consisting of promotion of the strategy and revised CPR's and training to staff within services on procurement), these issues remain. We have broken down this route cause into the following underlying weaknesses;

- Culture change (to ensure the achievement of service objectives detailed in the 2014 business case) is not driven by senior management and cascaded through the management structures within each Council. Lack of necessary leadership to gain buy-in and drive through the improvement required within procurement activity within services.

**Agreed Management Action:** “The JPB need to raise the profile of the JCPU in both Councils. Legal and Procurement Operations Manager and Head of Legal and Democratic Services and HR (at DCC) and Legal and Procurement Operations Manager and Chief Officer (Governance) (at FCC) to attend Senior Leadership Team /Corporate Leadership Team to discuss procurement and the need to collaborate.

The JCPU to provide a procurement activity report for each Service Challenge (DCC) broken down to the individual services”.

The Legal & Procurement Operations Manager has confirmed that this is underway, with service challenge reports now being submitted (DCC).

- Uncertainty within service around the role of the Procurement team. Move from an advisory function to a more supporting role with greater focus on compliance with CPR's is a recent change and will require culture change within both Councils.

**Agreed Management Action:** “CPU Business Partners will attend Service Senior Management Team meetings quarterly.

The Legal and Procurement Operations Manager will attend Senior Leadership Team/Chief Officer Team six monthly.

The Legal and Procurement Operations Manager will consider marketing options that are available at each of the Councils to promote the CPU”.

The Legal & Procurement Operations Manager has confirmed that she is now attending both meetings, and this is recorded on the spreadsheet.

- Limited consideration of the scope for collaborative procurement at the planning stage of procurement exercises (whether collaborative procurement between services within the same

	<p>Council or across the two Councils).</p> <p><b>Agreed Management Action:</b> “The commissioning form will be amended to ask Services if they have considered collaborative procurement across DCC/FCC, and across internal services.</p> <p>If a collaborative procurement is not considered the reason should be recorded on the commissioning form.</p> <p>If in the opinion of the CPU a collaborative procurement is possible but is not being pursued, this is reported to JPB by the Legal and Procurement Operations Manager”.</p> <p>The Legal &amp; Procurement Operations Manager has confirmed that this is now being done.</p> <ul style="list-style-type: none"> <li>• Inconsistent use of the Proactis corporate contract register by services. Lack of contract information is impeding the identification of areas in which collaborative procurement could delivery efficiencies.</li> </ul> <p><b>Agreed Management Action:</b> “CPU will be responsible for getting contracts sealed/signed, scanning into Proactis and notifying the contract manager. CPU will then pass the contract over to the contract manager which will prompt the contract management module to be used.</p> <p>Proactis functionality will be used to send an automated chaser to contract managers about contract expiry dates and the need to take action to ensure service continuity. This should also reduce the need for exception/extension reports because of the advance warning of a contract expiry date”.</p> <p>The Legal &amp; Procurement Operations Manager has confirmed that this is now being done.</p> <ul style="list-style-type: none"> <li>• Confidence around use of the Proactis system (including the contract management module) is limited within services where procurement is not carried out on a regular basis.</li> </ul> <p><b>Agreed Management Action:</b> “CPU to provide contract monitoring training for Services/contract managers during the next 12 months”.</p> <p>The Legal &amp; Procurement Operations Manager has confirmed that this is now in progress.</p>
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## Action Tracking – Portfolio Performance Statistics

## Appendix F

Portfolio	November 2018 Statistics			Live Actions - As at November 2018			Actions beyond <u>Original</u> due date	
	Number of Actions Raised <b>Since</b> January 2016	Actions Implemented since Jan 2016 <i>(including Actions No Longer Valid)</i>	% of Actions Cleared To Date	Live Actions	Actions Beyond Due Date <i>(excludes Actions with revised due date)</i>	Actions with a Revised Due Date	Actions between 6 & 12 months	Actions Greater than 12 Months (13+)
Chief Executives *	48	40	<b>87%</b>	8	0	1	1	0
Education & Youth	63	54		9	2	2	2	0
Governance *	131	105		26	4	14	0	7
Housing & Assets *	115	106		9	2	6	0	1
People & Resources	140	123		17	9	7	3	2
Planning, Environment & Economy *	62	37		25	12	17	2	10
Social Services	88	83		5	3	4	2	2
Streetscene & Transportation	75	75		0	0	0	0	0
External	27	25		2	0	2	1	0
Individual Schools	87	82		5	0	0	0	0
<b>Total</b>	<b>836</b>	<b>730</b>			<b>106</b>	<b>32</b>	<b>53</b>	<b>11</b>

\* Actions removed and relocated within External e.g. Clwyd Pension Fund

\* Actions removed from Community & Enterprise and reallocated between Governance, Housing & Assets and Strategic Programmes & Planning, Environment & Economy



Actions Overdue and Older than 6 months (where overdue)

Appendix G

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Reason for Revised Due Date and Current Position	How Risk is Being Managed
<b>Education &amp; Youth</b>								
School Fund (2016/17)	1950	<p>Action should be taken if schools are not adhering to the regulations.</p> <p>If schools do not conform to the expected regulations after having received financial training, the governors can then be issued with a warning notice under the School Standards and Organisation (Wales) Act 2013.</p> <p>If the controls are tightened with the governing body in each school, then the regulations should be met and the certificates that should be submitted to education Finance should be submitted.</p>	M	20/07/2018	29/09/2018	3	There are still two schools outstanding - they were chased in September. One of the schools had sent in 17-18 instead of 16-17 and this was raised with them in September. The other school has a new business manager.	Support is being provided by the Schools Accountant to the new business manager.
School Fund (2016/17)	2045	<p>Devise a contingency business case to identify and mitigate risks against statutory and non-statutory grants to assist with the business continuity.</p> <p>Review opportunities identified by the external review to develop a succession plan. Approval to be obtained for both of these initiatives from the Chief</p>	M	31/03/2018	31/08/2018	7	Ann Roberts has commenced these discussions with Chair of Exec Board but awaiting for final budget confirmation (final grant amount from YJB pending). Discussions ongoing.	Ongoing discussions and business case submitted.

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		Executive.							
<b>Governance</b>									
Page 122	Data Protection - 15/16	1406	A new workflow process will be implemented to include subject access requests. This will also raise awareness, heighten the profile and educate staff within Portfolios of the existence of SAR's and the correct steps and guidelines to be used when dealing with them.	M	31/03/2017	31/10/2018	19	This is currently under development as part of the GDPR project.  This forms part of the wider Information System which is being developed. We have started with FOI as there are higher risks in this area.	A spreadsheet is being maintained of current requests, this will be replaced by the new workflow system.
	Data Protection 15/16	1414	The introduction of a workflow process for SAR's will ensure a central control over the process and ensure the process is fully complete.	M	31/03/2017	31/10/2018	19	This is currently under development as part of the GDPR project.  The Information System forms part of a wider project. The project has started with FOI as there are higher risk issues in this area.	A spreadsheet is being maintained of current requests, this will be replaced by the new workflow system.
	PCIDSS Compliance (2015/16)	1516	The officer working group should ensure that the self-assessment is completed drawing on the full range of professional expertise and experience of the group.	H	31/12/2016	31/08/2018	22	A PCIDSS review was undertaken by a specialist QSA provider, ECSC, on 4th October 2017. The review has identified areas of compliance and areas of risk. Overall, the Council is deemed to be 50% compliance to PCIDSS. The findings of the report are now being considered by the Project Group and Chief Officer to identify what measures are required to increase compliance but this will undoubtedly require substantial	The council has implemented the necessary changes to ensure compliance with web payments and with payments taken via kiosks in Connects Centres. There is a remaining area of non-compliance with payments taken over the phone that will require new software.

							investments in IT to achieve 100% compliance.	The council is looking at how many licences it needs and whether to simply divert some payments from phone to web prior to purchasing and implementing the new software.
Joint Corporate Procurement Unit 17/18	2253	<ul style="list-style-type: none"> <li>A review of Contract Procedure Rules relating to extensions, variations and direct awards to ensure markets are regularly tested and the most competitive price obtained.</li> <li>Staff to be reminded why extensions, variations and direct awards should only be taken up as a last alternative and should be for a minimum period of time while a tender is completed</li> </ul>	M	30/09/2018	-	1	The Legal & Procurement Operations Manager has confirmed that this has now started.	
<b>Housing &amp; Assets</b>								
Community Asset Transfer - Holywell Leisure Centre 2017/18	2084	<p>Core documentation pertaining to CATs will be uploaded onto CAMMS as a central database and to provide an appropriate audit trail.</p> <p>Although we recognise best practice guidance on EOIs we feel that the Council's EOI is sufficiently robust as it is scrutinised independently by the Flintshire Local Voluntary Council (FLVC).</p>	L	31/05/2018	31/08/2018	5	Further documents have been uploaded, this will be completed and signed off by 31/8/2018	Documents are in place.

Community Asset Transfer - Holywell Leisure Centre 2017/2018	2085	Following each monitoring meeting the relevant documentation will be uploaded to CAMMS.	L	31/05/2018	31/08/2018	5	Meetings have been held and notes taken, these consolidated and uploaded to CAMMS by 31.08.18	Meeting and notes are available, they need uploading and consolidating.
<b>People and Resource</b>								
Payroll 2016/17	1775	A process will be implemented once a year to validate whether iTrent user access is still required and relevant to employees' role and responsibilities. Manager attestation to be obtained to advise the current access is accurate.	L	31/03/2018	31/07/2018	7	Reminder emails have been sent out to all managers who have not replied to the original email. We have received 141 out of 197 spread sheets returned for FCC . Manager Attestations had not all been received yet and these are still to be review.	The reports of all user details who currently have manager or main iTrent access have been sent out to reporting managers for review.
Compulsory and Voluntary Redundancies 2016/17	1925	The Databases will be reviewed and improved to ensure all appropriate information is captured. Regular reviews will be undertaken to ensure all relevant fields are completed and due process is being adhered to.	M	31/07/2017	01/07/2018	15	After a recent iTrent update the database was no longer accessible. It has been agreed as there is a new database which will be released in 6 weeks IT won't spend time trying to make the soon to be obsolete database work.  Awaiting for IT to make necessary changes to system as per follow on notes.	The service are keeping paper records whilst awaiting the new database.
Compulsory and Voluntary Redundancies 2016/17	1933	A new database will be formulated after Lotus Notes is closed down and this will have the involvement of HR, IT and Finance to ensure the necessary controls are inbuilt.	M	31/12/2017	30/09/2018	10	Control measures remain in place while ICT are working on an alternative solution to the Lotus Notes Databases. These systems remain operational supplemented by email correspondence / authorisations	Instruction issued to users of the system to ensure that fields are populated. Problems with the system itself still exist and we are waiting for ICT to provide an alternative

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							until new solution identified.	solution
Working Time Regulations 2017/18	2120	<p>A report will be produced on a quarterly basis for each Portfolio to identify all employees who have worked on average in excess of 48 hours over a 26 week period (this new timeframe is documented within the latest Council policy).</p> <p>This information will be shared with each Chief Officer for review and action and concerns will be escalated as required to the Senior Manager HR &amp; OD and Head of Paid Service.</p>	M	31/07/2018	-	3		
Working Time Regulations 2017/18	2123	<p>A report will be produced on a quarterly basis for each Portfolio to identify all employees who have worked on average in excess of 48 hours over a 26 week period (this new timeframe is documented within the latest Council policy).</p> <p>This information will be shared with each Chief Officer for review and action and concerns will be escalated as required to the Senior Manager HR &amp; OD and Head of Paid Service.</p>	M	31/07/2018	-	3		
Working Time Regulations 2017/18	2201	<p>The overall position of the Council is to provide a work life balance for all employees. In respect of Social Services employees, management were aware of the working time regulations and the challenges of meeting these versus the regulatory</p>	M	31/07/2018	-	3		

<p>Page 126</p>	<p>requirements in terms of continuity of care for vulnerable people who require overnight support. Managers have taken actions to minimise the tensions of this by engaging staff on a rota basis and increasing the use of concessionary rest periods.</p> <p>The service is not in a position to make additional appointments to cover sleep in work hours as the service has to ensure continuity of care for service users it is essential that this is maintained. No concerns have been raised by the employees identified, however any issues reported would be addressed. In addition, it is worth noting that employees who work sleep-ins are rarely 'called-on' to work and therefore are not actually working during this period despite being recorded as working to comply with the Regulations.</p> <p>Taking into account all of the above, the level of risk has been considered and accepted in operational terms.</p> <p>The introduction of the monitoring reports (2A &amp; 3A) will assist in identifying any further significant concerns which will be actioned as necessary.</p> <p>In addition for Social Services Portfolio, a report will be produced on a quarterly basis to identify the number and frequency of employees called-on to provide reassurance. This should prompt management intervention, if</p>					
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		required.						
Payroll 2017/18	2175	Develop and agree an escalation procedure with BPs/Manager when signed terms of employment are not received.	L	31/07/2018	31/10/2018	3	<p>In preparation for a report being developed for HR Business Partners, a further report was required to be developed in order to identify all new starters that have been input on iTrent to facilitate an EDM audit search for evidence of a signed contract of employment having been received. The initial audit report has been in place for 2 months and is currently being reviewed by myself to ensure that it is fully fit for purpose, robust and can withstand longevity. This report is intended to populate BPs' report which I am currently developing. Although I believe that the recommendation has been largely addressed, I am requesting an extension to the due date to October to enable finalisation of the new .Net New Starter form, the development of a robust reporting mechanism for BPs' and to further monitor effectiveness of the measures introduced.</p> <p>A new starter Audit has been created and a EDM review is made on a monthly basis by the TL part of the audit is to check that a signed contract has been received. Since the audit was implemented there has been a recognised increase in signed</p>	<p>New starter audit has been created an EDM review is completed on a monthly basis. Email sent to JG/KP to provide further update.</p>

							contracts. When contracts are not evident the ESCA adviser is discussing with the TL and a decision to include the recruiting manager or BA/BP is decided.	
Payroll 2017/18	2193	<ol style="list-style-type: none"> <li>1. A process to be documented and approved to support the annual processing of the permanent allowance increases. This process should include the rounding of figures as well as the balancing of payments for various individuals.</li> <li>2. Annual report to be sent to schools advising them of any permanent elements paid to their staff and requesting confirmation of the relevancy of payment for the next financial year.</li> <li>3. A shared folder to be made available to Internal Audit.</li> </ol>	M	31/10/2018	-	1		
Payroll 2017/18	2215	<ol style="list-style-type: none"> <li>1. Overpayments and Underpayments statistics will be produced within 3 weeks of the quarter end</li> <li>2. The Senior Manager for Human Resources and Operational Development will communicate expectations of the Business Partnering team in relation to the actions to be taken following the report being distributed. The Overpayment &amp; Underpayment reports will be shared with COT on a quarterly basis</li> </ol>	M	31/10/2018	-	-	Overpayments which are being recovered via Payroll, will be repaid in full, unless in the event that the employee leaves the organisation, and in which case an invoice would be raised for the balance.	To provide an update on the possibility of reporting on the amounts that have been recouped from invoices raised by the ES Team. The Corporate Debt Team will be making the assessment as to whether this is possible.  Revised due date of December 31 2018.

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		3. Reporting categories to be reviewed to reflect current position.						Scoping meeting being scheduled between payroll and debt management.
<b>Planning Environment &amp; Economy</b>								
Section 106 - 15/16	313	Leisure to discuss the inclusion of an upfront specification for play equipment in the LPGN with the Planning Policy team. This would allow specifications to be built into the planning application (as such any changes to specification would require an amended planning application).	M	31/10/2016	31/10/2018	24	Follow up report 18.5.18: SPGN 13, Outdoor Playing Space & New Development, is in the process of being revised.  Specification is still awaited from Leisure and will be included as part of updating LPG 13 (see below). Revised due date set was unrealistic and unachievable given circumstances reported below for LPG 13 update.	Monitoring progress with LPG13 via service manager and with reports to S106 working group.
Section 106 - 15/16	314	Planning recognise that they need to educate Members in respect of the options available to them when considering Planning Applications with management companies / residents associations proposed for the ongoing maintenance of open spaces, and their influence in planning terms.  Consideration will be given to ways in which we can use the Planning Guidance to mitigate risks around management of on-site play facilities and open spaces by resident Management Companies (e.g. requirement for developers to provide a bond; one off costs could be added to the purchase price of new homes (with lower annual contributions from	L	31/07/2016	31/10/2018	27	Follow up report 18.5.18: SPGN 13, Outdoor Playing Space & New Development, is in the process of being revised.  Will be considered as part of updating LPG 13 (see below). Revised due date set was unrealistic and unachievable given circumstances reported below for LPG 13 update.  Given the extent to which we can't prevent developers proposing a management company this is a low risk.	Monitoring progress with LPG13 via service manager and with reports to S106 working group.

		home owners), etc.).						
Section 106 - 15/16	320	<p>A cross directorate working group will be established to address the issues identified in the audit report.</p> <p>The working group will be time limited, and will consider;</p> <ul style="list-style-type: none"> <li>•Section 106 linkages across the Authority, the information needs of each service area, and the information currently held by service areas to determine where there is scope for efficiencies through the sharing of information (including the scope for sharing information on the Planning DEF database).</li> <li>•The adequacy of the processes in place for effectively managing those balances which must be spent within certain time frames or returned to the developer.</li> <li>•The scope for utilising contributions held to ensure we maximise the benefit to the Authority (specifically Education contributions which cannot currently be spent under the terms of existing s106 agreements).</li> <li>•The requirement for corporate oversight of the s106 processes and the robustness of the reporting structures to ensure appropriate overall control of s106 monies.</li> </ul>	L	30/06/2016	30/06/2018	28	<p>Follow up report 18.5.18: There has been no formal reporting around s106 developer contributions to date, but a report is due to go to the Planning, Environment &amp; Economy Programme Board in May 2018. The report is likely to include the s106 process flow chart and details of the balances collected in the last financial year (together with proposals for spend where applicable). Future reporting requirements will also be discussed with the Programme Board. The cross directorate working group, chaired by the Chief Officer, Planning, Environment &amp; Economy was established in early 2017 to progress the Agreed Actions from the May 2016 Internal Audit report. The working group will continue to meet until all Agreed Actions have been delivered. Following discussion of the Follow Up audit findings the due date for this Agreed Action has been revised to 31/06/1</p> <p>The first report of section 106s collected will be reported to the Planning Environment and Economy Programme Board on 22<sup>nd</sup> November 2018.</p>	The in house monitoring system is still maintained.

<p>Section 106 - 15/16</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 131</p>	<p>1435</p>	<p>Leisure Services to liaise with Planning to determine whether there is scope for further amendment to the revised Planning Guidance for Open Spaces to update the amount per dwelling requested from developers, and to amend the thresholds within the Planning Guidance.</p>	<p>M</p>	<p>30/06/2016</p>	<p>31/10/2018</p>	<p>28</p>	<p>Follow up report 18.5.18: SPGN 13, Outdoor Playing Space &amp; New Development, is in the process of being revised. Discussion with Planning and the Play Unit has suggested the new planning guidance will include updated thresholds for on-site play provision; changes to the amounts payable per dwelling, and minimum specifications for play equipment, play areas, sports pitches and open spaces.</p> <p>Revised date set in line with the meeting of the Planning Strategy group which will sign off the revised Planning Guidance note on 29th June.</p>	<p>Existence of the current Planning Guidance ensures that risks are managed in the meantime.</p>
<p>Section 106 - 15/16</p>	<p>1436</p>	<p>Up to date costings will be provided by Streetscene within the next couple of months. Once the costings are received the Planning Guidance can be updated.</p>	<p>L</p>	<p>31/07/2016</p>	<p>31/10/2018</p>	<p>27</p>	<p>Follow up report 18.5.18: SPGN 13, Outdoor Playing Space &amp; New Development, is in the process of being revised. Discussion with Planning and the Play Unit has suggested the new planning guidance will include updated thresholds for on-site play provision; changes to the amounts payable per dwelling, and minimum specifications for play equipment, play areas, sports pitches and open spaces. The maintenance periods are also likely to be extended from the current 10 years to 25 years</p> <p>The revised planning guidance is</p>	

<p>Page 132</p>						<p>also likely to include a level of standard / responsibility for Management Companies, in particular around maintenance regimes. At the date of audit Planning were liaising with Streetscene to obtain up to date costs for the maintenance of play areas and open spaces. These revised costs will inform the update of the planning guidance.</p> <p>In the absence of the revised SPGN the current LPGN is applied to planning applications. Whilst LPGN 13 is consistently applied, the May 2016 Internal Audit Report recognised that the amount per dwelling for off-site provision, and the thresholds for the application of the guidance are not robust and are not evidence based. It is recognised that there are resource issues around the revision of SPGN 13 which need to be addressed by Planning. Following discussion of the Follow Up audit findings the due date for these Agreed Actions has been revised to 31/10/18, with responsibility for 4(a) transferred to Richard Roberts (Play Unit) and responsibility for 4(b) and (d) transferred to Andy Roberts (Planning).</p> <p>Information has been received by Streetscene this information can be included in the updated policy</p>	
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							guidance and this date allows for completion of this work.	
Planning Enforcement 2016-17	1885	The service will review how enforcement referrals are investigated through process mapping and ensure that consistency exists within the team.  Alternative software providers are also being sought to assist with the process with short, medium and long term digital aims to be agreed by July 2017.	H	31/08/2017	30/09/2018	14	Whilst the structure of the teams and the overall process has been reviewed and changes made, documented procedures have yet to be produced for the team. A process mapping exercise is planned which will further assist Officers in how this work is to be undertaken. Up to date procedures will help ensure compliance and consistency across the service.	
Planning Enforcement 2016-17	1886	Technical meeting with systems and enforcement officers planned in June / July 2017 as part of training to implement priorities to ensure we are collecting correct data for Welsh Government returns  Work has also commenced to improve reporting from FLARE through a software update.		31/07/2017	30/09/2018	15	Identified variances in the data submitted to the Planning Directorate for Welsh Government over the last 3 quarters of 2017/18. It is important that data supplied to the Welsh Government is accurate. Flintshire Council were provided with a report template from Civica to populate this data from the FLARE system and all evidence is now retained of data submissions to Welsh Government. However, inaccuracies have been identified in the data produced and full reliance is currently placed on this information. Variances are not investigated and there is no management oversight prior to submission.	We will investigate the Civica report to identify reasons for variances. We will ensure that Q1 18/19 return is produced and reviewed prior to submission.
Planning Enforcement	1889	A revised Enforcement Policy will be produced and presented to the	M	30/09/2017	29/10/2018	13	The revised Planning Enforcement policy has yet to be	The policy is due to be approved (July 2018)

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<p>2016-17 -</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 134</p>		<p>Environment Overview and Scrutiny Committee in September 2017.</p>					<p>published. The policy was presented to the Environment Overview and Scrutiny Committee in September 2017 and then to Cabinet in January 2018. A period of public consultation (6 weeks) is now underway which will end on 12 June 2018 when the policy can be finalised and published. An approved policy will formalise the remit of the service and this will help ensure resource is focussed on activity for which the team is responsible.</p> <p>The policy is due to be approved (July 2018) and will be published accordingly.</p> <p>To allow the period of public consultation to expire.</p>	<p>and will be published accordingly.</p>
<p>Planning Enforcement 2016-17</p>	<p>1892</p>	<p>Process mapping to be commenced in July 2017 will form the basis of training notes in order for any officer to be able to use the Flare enforcement system.</p> <p>Completion of training notes November 2017.</p>	<p>L</p>	<p>30/11/2017</p>	<p>30/09/2018</p>	<p>11</p>	<p>Officers have been booked onto the waiting list for the Trevor Roberts Association Enforcement residential course since September 2017. The budget for this training is in place, and we are hoping to be advised of our attendance dates soon.</p>	<p>Training will continue to be provided to Officers as required.</p>
<p>Planning Enforcement 2016-17</p>	<p>1895</p>	<p>A review of all cases has commenced (April 2017) and all pending investigations will be reassessed. It is expected that this exercise will be completed by September 2017.</p>	<p>H</p>	<p>30/09/2017</p>	<p>30/09/2018</p>	<p>13</p>	<p>A review of all current cases (181) identified improvement in how the service manages its workload, however, our testing identified the following findings:</p> <ul style="list-style-type: none"> <li>• 28 referrals are allocated to Officers who have left the team.</li> </ul>	

Page 6							<p>12 referrals have not been allocated.</p> <ul style="list-style-type: none"> <li>• 80 referrals have not been assessed with a priority level meaning target dates for first response and completion are unclear.</li> <li>• 40 referrals have not been updated within the last 12 months.</li> <li>• 3 cases were considered within the remit of the service when they should have been referred elsewhere.</li> <li>• 1 case was identified as a duplicate record.</li> </ul>	
Greenfield Valley Trust Follow Up 17/18	2195	<ul style="list-style-type: none"> <li>• 2018-2021 Business Plan to be agreed by the Board of Trustees.</li> <li>• Management Agreement to be completed and to be agreed by the Board of Trustees.</li> </ul>	M	31/07/2018	28/09/2018	3	<p>Final version of legal agreement is with Greenfield Valley Board and legal representative, this will mean final sign off date by the end of September and with Andrew Farrow taking a lead on this due to me leaving the authority.</p> <p>Comments on the draft Management agreement are awaited from the legal representatives of GVT.</p>	
Section 106 Follow Up report 17/18	2233	Timescales to be agreed for the report to COT / Cabinet re s106 legacy balances.	L	31/08/2018	-	2	These will be agreed following Programme Board on 22 <sup>nd</sup> November.	
<b>Social Services</b>								

<p>Care Leavers 2016/17:</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 135</p>	<p>1785</p>	<p>The Participation group requires a review and the aims and objectives should be clearly stated.</p> <p>Review of the Participation Group, with clearly set aims and objectives of the group/s.</p>	<p>L</p>	<p>31/10/2017</p>	<p>29/09/2018</p>	<p>12</p>	<p>Post holder has worked with young people to take forward this action. The group has been rebranded as Young Voices Out Loud with new members joining and a logo developed to reflect the focus of the Group. The Group will present their aims and objectives to the Children's Services Forum after the summer break in September 18.</p> <p>The post was vacant for 8 months. The post holder commenced in March 2018 and has built up a relationship with the young people to begin the review process.</p>	<p>Progress and issues from the Young Voices Out Loud Group are reported to the Children's Services Forum</p>
<p>Corporate Safeguarding 2016/17</p>	<p>2030</p>	<p>Corporate safeguarding awareness to be included as standard on staff induction programmes (Corporate Induction half day training plus desk based induction programmes).</p> <p>E-learning modules on the Flintshire 'Academi' to be updated to ensure the content is suitable for all Flintshire workforce.</p>	<p>L</p>	<p>31/03/2018</p>	<p>31/07/2018</p>	<p>7</p>	<p>The Induction checklist has been altered to include safeguarding, ensuring manager's signpost new employees to the relevant documentation and new employees know how to make a referral. The e-learning modules are under development. The Corporate Safeguarding Panel meets bi-monthly, and progress to meeting this action will be monitored at meetings. Safeguarding is now included within the half day corporate induction and within the induction checklist. A review of Safeguarding e-learning modules developed by the NHS is being considered to ensure accessible to</p>	<p>This action is monitored at the Corporate Safeguarding Panel. Key officers are waiting to receive training on how to update the e-learning modules. New employees will be signposted to the safeguarding policy and resources as part of their induction. Safeguarding training is available during safeguarding week and periodic safeguarding bulletins will be</p>



							Flintshire County Council employees, as this is a more effective option and will not require officer time to develop modules. These will be implemented following the review and if accessible to Council employees.	published.
Commissioning and Contracts 2017/18	2105	The Commissioning Manager will ensure that all relevant contract officers who have not completed training on the 2016 version of the Contract Procedure Rules will do so as and when it is next offered.  The Proactis e-sourcing training is dealt with elsewhere in this report.	M	30/09/2018	-	1	The Commissioning Manager will ensure that all relevant contract officers who have not completed training on the 2016 version of the Contract Procedure Rules will do so as and when it is next offered.	All staff have been made aware of the documents existence and been asked to make themselves familiar with the document and refer to it if in any doubt. Once training is made available officers will attend.

Actions with a Revised Due Date Six Months Beyond Original Due Date (Not Overdue)

Appendix H

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<b>Corporate</b>								
Risk Management 2016/17 Page 138	2004	Service Plans should include operational risks / emerging risks in accordance with the guidance in the Council's Risk Management Policy & Strategy.  This needs to include: <ul style="list-style-type: none"> <li>• More immediate and visible reporting of risk;</li> <li>• Clarity of roles around the escalation of risk;</li> <li>• Appropriate responsibility for agreed risk mitigations.</li> </ul>	M	31/03/2018	30/11/2018	Chief Officers have all been involved in the revision of the Risk Management Strategy and discussion about the escalation protocol.  Performance Leads have also been updated as to the diligence needed around risk management at a service level.	Business Plans are being revised for 2018/19 to cover a 3 year period. Alongside these are the more operational Service plans at Service or Team level.	All service plans are to include operational and emerging risks, with clear responsibilities for risk mitigation.  The escalation protocol for risks has been established.
<b>Education &amp; Youth</b>								
Youth Justice 2016/17	2013	A nominate resource from social services for children is not in place.	M	31/03/2018	31/12/2018	Commenced discussions however at present Children's Services are unable to provide an	Action not met.	Matter to be raised to the YJS Executive Delivery Group and Executive Management

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		Review to be completed with the Children Services Executive Board Representatives to implement solution in line with the Crime and Disorder Act 1998.				allocated social worker.		Board
<b>Governance</b>								
PCIDSS: Non-compliance with PCI DSS and DP Act.  Page 139	1572	Working group to ensure systems comply with PCIDSS and Data Protection requirements.	H	31/12/2016	31/03/2019	PCIDSS Accredited External Assessors have been appointed to conduct an initial review of systems and architecture leading to the identification of processes which are likely to already meet the requirements of PCIDSS and those processes where there is scope to improve. The external assessment is due to take place on-site from 2/10/17 to 04/10/17. Following the review the SAQ will be completed and based on the findings of the external risk assessment.	A PCIDSS review was undertaken by a specialist QSA provider, ECSC, on 4th October 2017. The review has identified areas of compliance and areas of risk. Overall, the Council is deemed to be 50% compliance with PCIDSS  The findings of the report are now being considered by the Project Group and Chief Officer to identify what measures are required to increase compliance but this will undoubtedly require substantial investments in IT to achieve 100% compliance	A PCIDSS review was undertaken by a specialist QSA provider, ECSC, on 4th October 2017. The review has identified areas of compliance and areas of risk. Overall, the Council is deemed to be 50% compliance with PCIDSS  The findings of the report are now being considered by the Project Group and Chief Officer to identify what measures are required to increase compliance but this will undoubtedly require substantial investments

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
								in IT to achieve 100% compliance
Flintshire Connects  Page 140	1505	<p>Services accessed by Flintshire Connects cannot always be delivered in full.</p> <p>A fundamental review of all customer facing services will be undertaken to explore the best future method of delivery, including face to face, through Connects centres backed up by feasibility studies for areas where greatest efficiency could be achieved. This review will look in the first instance at service delivery methods across all Portfolios and assess if they are sufficiently lean and a decision made on what services could be delivered through Connects without overlap and duplication. Following the review a strategy will be formulated on how services will be delivered</p>	M	30/09/2017	01/09/2019	<p>Following this audit and the revision of the Customer Service Strategy a Customer Service Strategy Review Group was formed and tasked to begin reviewing all customer contact across the Council with a focus on how we currently deliver services (face to face, telephone and digital) and looking at the aspirations of how we could deliver differently to ensure we are utilising the most appropriate channels for services/customer contact.</p>	<p>The review group have now finished the initial analysis and met with all portfolio's to determine where change is required. The work carried out by the group has identified a number of areas across the council where the digital offer needs to be improved to enable reduction in both telephone calls and face to face provision for a number of services, examples include, logging repairs and Streetscene general report it type functions. It has also identified tasks that could be better delivered by Connects and release back office efficiencies.</p> <p>The work completed has identified that the delivery of the Customer Service Strategy and the Customer Workstream of the Digital Strategy need to be closely aligned and also that the scale of the work that needs to be done to deliver the transformation across the</p>	<p>A Programme Manager to lead this transformation project has now been appointed.</p>

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		in the future.					council is beyond what the review group can deliver in the timescales required. It has been agreed that a dedicated resource is required to programme manage this transformational project going forward and work is now underway to recruit to this position so that the work required can be driven forward.	
Flintshire Connects	1514	<p>Services are not always being delivered in the most efficient ways.</p> <p>Services delivered through Flintshire Connects Centres will be evaluated for the most appropriate, efficient and effective delivery methods.</p>	M	30/09/2017	01/09/2019	Following this audit and the revision of the Customer Service Strategy a Customer Service Strategy Review Group was formed and tasked to begin reviewing all customer contact across the Council with a focus on how we currently deliver services (face to face, telephone and digital) and looking at the aspirations of how we could deliver differently to ensure we are utilising the most appropriate channels for services/customer	The review group have now finished the initial analysis and met with all portfolio's to determine where change is required. The work carried out by the group has identified a number of areas across the council where the digital offer needs to be improved to enable reduction in both telephone calls and face to face provision for a number of services, examples include, logging repairs and Streetscene general report it type functions. It has also identified tasks that could be better delivered by Connects and release back office efficiencies.	A Programme Manager to lead this transformation project has now been appointed.

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Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 142						contact.	The work completed has identified that the delivery of the Customer Service Strategy and the Customer Workstream of the Digital Strategy need to be closely aligned and also that the scale of the work that needs to be done to deliver the transformation across the council is beyond what the review group can deliver in the timescales required. It has been agreed that a dedicated resource is required to programme manage this transformational project going forward and work is now underway to recruit to this position so that the work required can be driven forward.	
	PCIDSS Compliance 2015/16	1523	Working group to establish an action plan and carry out checks each year end to ensure guidance is up to date.	L	31/12/2016	15/12/2018	Due to resource capacity and other priorities.	The findings of the external PCIDSS audit are currently still being considered and two payment channels are already fully PCIDSS compliant (web payments and ATP payments - automated telephone payments). Relevant SAQ'S are being drafted for these payment channels. New

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 143							<p>technologies and investments are being assessed to establish whether full compliance can be realistically achieved within budget provision through the development of a mid-call solution. Alternatively, through service planning and a strategic move away from telephone payments and channel shift towards to web payments or ATP payments, we need to determine whether residual risks would warrant the major investments to achieve full compliance.</p> <p>Work is ongoing to update and re-issue guidance and procedures for the workforce responsible for taking payments. This guidance will be issued by 31st March 2018.</p>	
	Procurement 2016/17	1649	The supplier performance management template is now available in Proactis for completion by contract officers. Contract officers will receive a reminder from Proactis to use the contract management	M	31/03/2018	28/02/2019	To promote the current functionality would be counter productive in light of the need to re-train officers when new product release is launched.	The Supplier & Contract Performance Management module within the PROACTIS system is currently being enhanced with new functionality that is due to be released for use before the end of this calendar year.

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		module. All relevant contract officers should receive notification so they know the supplier performance management template is available and must be used.					Therefore, the Council needs to take stock of the new functionality when it becomes available before we promote and remind officers to use the new performance management module.	
Procurement 2016/17	2010	<p>The Category Manager-Strategic Procurement to carry out refresher training sessions for all relevant Contract Officers focusing on the areas highlighted in this report. These refresher training sessions to be mandatory for all relevant contract officers. Training to include the following topics:</p> <ul style="list-style-type: none"> <li>Contract officers to be reminded and re-trained to enter all contracts above £25,000 onto the Proactis Contracts Register.</li> <li>Specific re-training to be given to Contract Officers on how to send out email</li> </ul>	M	31/08/2018	29/03/2019	A revised date of end of March 2019 has been given to allow for the new PROACTIS modules to be released and a period of time to allow for the training to be delivered.	The contract management and supplier performance management modules within the PROACTIS Portal is being enhanced with new functionality that will make it easier and more user friendly for officers to undertake contract and supplier performance reviews. The new modules are due to be launched before the end of this calendar year, hence re-training off officers would be best utilised on the new functionality.	Contract Procedure Rules (CPR's) is ongoing and reminders are being given to officers of the requirements of populating the contract register etc.

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Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 145</p>		<p>reminders on the e-sourcing solution for annual financial checks, insurance checks, Health &amp; Safety policy checks and Equal Opportunity Policy checks etc. on longer duration contracts.</p> <ul style="list-style-type: none"> <li>• Specific re-training to be given on how to enter all contractor performance and management information onto the e-sourcing solution.</li> <li>• Contract officers to receive training to enable them to consistently monitor the performance of contractors on the e-sourcing solution.</li> <li>• Contract Officers to be trained to use the supplier performance management template and to upload the results to the e-sourcing solution.</li> <li>• Contract Officers to be reminded that approved lists should not</li> </ul>						

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 146		<p>be used for the appointment of contractors and that an appropriate procurement must be carried out.</p> <p>A record should be kept of all officers who have received the training.</p> <p>Additionally any officers requesting access to the system for the first time i.e. new users should undergo training before being allowed to use the system.</p> <p>Efforts should be made to ensure that all current users of the system have undergone training i.e. a comparison should be made between the training records held and the current users of the system. Any current users who have not received the training should be requested to do so.</p>						



Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<b>People &amp; Resources</b>								
Payroll 2016/17-  Page 148	1902	Payroll Key Performance Indicators are not in place.  Performance Indicators will be devised and reported on to measure productivity, effectiveness of processes, compliance with regulatory requirements and SLAs, etc. Key performance indicators to consider should be overpayments, underpayments, % of payslips manually recalculated, processing of requests in line with SLAs for new starters, change in role, leavers, system access, etc.	L	30/09/2017	31/01/2019	This action was previously allocated to the Team Leader - HR, resource to address this has not been available. However work is in progress, for example, data relating to under & over payments has been issued earlier this year.	Performance indicators within the recruitment process by will be developed by the service.	The PI need to be developed to monitored performance.
Payroll 2016/17	1839	The viability of a centralised location for guidance notes will be explored relating to the various tasks completed within payroll such as how to work the various control reports, processing new starters,	L	31/03/2018	31/03/2019	Timeframe extended to agreed delivery timescales of action 2204		

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		movers and leavers, etc. These procedures should be communicated to the Employment Services Team and processes implemented to demonstrate adherence to approved processes.						
Payroll 2017/18  Page 149	2183	New Starter checklist is reviewed by two separate individuals on the Employment Services team and these are acknowledged as complete prior to it being sent for scanning.	M	30/09/2018	31/03/2019	To allow a period of review and monitoring following the implementation of the new HR Forms system.	A new starter Audit has been created and a EDM review is made on a monthly basis by the TL. Any incomplete EDM packs are feedback to the ESCA to update. Evidence checks are; Contract/Letter of engagement, PORTW, DBS if Required, OH form, conditional offer, advert (or equivalent) JD/PS, Application form, forms, new start details form, certificates and emergency contact forms.	The Audit has taken shape over the past few months and is now a regular activity.
<b>Planning and Environment</b>								
Section 106 - 15/16	285	The Local Planning Guidance Notes are currently being brought up to date to allow continued use of the Unitary Development	M	31/07/2016	31/12/2018	The LPG 22, as overarching guidance, can only be updated once all individual LPGs have been updated, and there is still work to be	Follow up audit report 18.5.18: LPGN 22 Planning Obligations (adopted by the Council in February 2007) has not been updated. Discussion with Planning	Monitoring progress with LPG13 via service manager and with reports to S106 working group.

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 150</p>		<p>Plan (UDP). Whilst the UDP has technically expired, the intention is to keep the plan 'alive' for as long as possible.</p> <p>The bulk of the 'comments' from the LPGN consultation process were reported to the Planning Strategy Group on 25th February 2016. LPGN 22 will be reviewed as required following the adoption of the updated LPGN's.</p> <p>The updated LPGN's (which are still in the consultation period) will be adopted by 30th April 2016. If it is determined that further update to LPGN 22 is required (in particular to take account of the adoption of LPGN 23, Education Contributions - adopted July 2012) then we could expect the adoption of an updated LPGN 22 by 31st July 2016.</p>				<p>done to update LPG13 (see below).</p> <p>Lastly, as each individual LPG is up to date (except LPG 13) each can be applied to the consideration of planning applications and any developer obligations that arise.</p> <p>The risk in not updating LPG 22 is therefore very low and can be managed in due course once individual LPGs are updated. This must therefore be a 'green' in terms of risk status.</p>	<p>Strategy has suggested that as LPGN 22 acts as a signpost to other planning guidance around developer contributions, it can only be updated once the full suite of planning guidance is in place. LPGN 13, Outdoor Playing Space &amp; New Development, is in the process of being revised. Once the revised planning guidance is adopted LPGN 22 can be updated. Following discussion of the Follow Up audit findings the due date for this Agreed Action has been revised to 31/12/18.</p>	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Pollution Control 2017/18	2048	A new computer system is being considered for Planning and Environment which should address or improve the issues. However IT have reported that this is still in its infancy and could take a long time to implement. In the interim 'smarter' ways of working should contribute to avoiding duplications.	L	31/03/2018	31/05/2019	Original date provided was incorrect.	Computer system will take a length of time to be agreed upon and implemented, and further impacted by move to Ewloe.	Smarter apps for efficient working practices are being considered in the meantime.
<b>Social Services</b>								
Flying Start Childcare Placements 2015/16	1608	Management have agreed the following actions: (a) To review the sessional rate offered to existing providers considering pricing across Wales and what elements the fee will cover. (b) To contact Corporate Procurement to discuss the undertaking of a	M	30/06/2017	01/04/2019	As advised by Procurement - In agreement with Flying Start Welsh Government Account Manager.	(a) Actioned. A review has been completed of the sessional rates across North Wales. A phased reduction was introduced June 2017 in alignment with the childcare offer too. (b) Actioned. Work is in progress with Procurement. A tender document has been produced. (c) Actioned. A review has	The Flintshire model is considered to be exemplar, as Flintshire Flying Start only pay for places booked. There are no block booking for FS childcare places, unlike many other Authorities. Attendance is closely monitored, alongside quality and staff qualification level. This is undertaken by specialist advisory

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Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 152</p>		<p>tender exercise to include support for smaller organisations</p> <p>(c) To review similar processes and paperwork undertaken by other local authorities in Wales and the viability for using best practice examples in Flintshire.</p> <p>(d) To ensure any tendering exercise is aligned with the Welsh Government 3-4 year old pilot for funded childcare to ensure consistency of rates, and sustainability for childcare settings.</p> <p>(e) Undertake tender exercise for the procurement of childcare placements, to include a briefing and support session with Settings.</p> <p>(f) Notify successful/unsuccessful settings</p>					<p>been undertaken through the Flying Start Network and best practice examples and lessons learnt are being applied in preparation for procurement.</p> <p>(d) Revised due date. Due to the implementation of the Childcare Offer and ensuring stability in the Sector and sufficiency of places for Early Entitlement, Childcare and Flying Start placements the procurement exercise is being delayed until the early implementation childcare offer is completed.</p> <p>(e) Part-actioned. The briefing and support session material is prepared in readiness for a procurement exercise.</p> <p>(f) Successful and unsuccessful settings will be notified within timescale.</p>	<p>teachers. The monthly payments to Settings is also closely monitored with the necessary audit trail. All Flying Start settings are approved by WG.</p>



Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Substance Misuse Service 2017/18	1990	The Substance Misuse Team Manger will contact IT to request access for all Council staff to Council systems	L	31/01/2018	30/11/2018	There has been some progress with the IT provision, discussions have taken place to find a way forward and these continue. Looking to have access through RSA tags.	Action has been discussed with Flintshire IT department. It has been advised that a new system is being introduced and that staff will be able to access this when it is complete. There is also the option of staff having an RSA tag to enable access to Flintshire systems	The risk is being managed through two members of staff who already have RSA access.
<b>External</b>								
Investment 2016/17	1943	An Operational Plan will be devised to assign roles and responsibilities for the core functions within the Clwyd Pension Fund team. This will assist with the identification of single points of failure within the team. Individuals to be trained outside of their core role in order to facilitate the delivery of service in the event of long term absence or attrition. Succession planning will also be considered given the relative age of individuals	M	31/12/2017	31/12/2018	The 2018/19 Business Plan includes a structure review of the Finance Team. Work is still on-going with HR to finalise the structure and carry out recruitment. This should be substantially complete in Q1 2018 but full completion may take to Q3 2018.	Work is continuing with HR for a revised structure to the section which will accommodate the ongoing needs of the section.	The risks are being managed by outsourcing essential work to third parties.

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Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		completing these functions relative to retirement age.						

## Investigation Update

## Appendix I

Ref	Date Referred	Investigation Details
<b>1. New Referrals</b>		
1.1	20/08/2018	An allegation has been received concerning the awarding of work to a company being run by a former employee of the Authority.
1.2	16/10/2018	A referral has been received concerning the additional payments made to staff. A review is being carried out of the procedures followed for the making of these payments.
1.3	16/10/2018	A complaint has been received concerning the awarding of contracts where there is a potential conflict of interest of a member of staff with a contractor.
<b>2. Reported to Previous Committees and still being Investigated</b>		
2.1	21/05/2018	A review is being carried out of invoices submitted by a former Council contractor to ensure they are legitimate.
2.2	30/10/2017	A referral was received concerning potential misuse of a grant scheme by a former member of staff. An investigation is ongoing.
<b>3. Investigation has been Completed</b>		
3.1	02/02/2018	A referral was made concerning the use of a Direct Payment. An investigation has been completed and no evidence was found of any fraudulent activity however management are carrying out a review of operational aspects of this direct payment.

3.2	05/06/2018	Management raised concerns about a former member of staff and his potential involvement in the award of a contract and his subsequent employment with the successful contractor. No evidence was found of any wrongdoing.
3.3	04/10/2018	Management have raised concerns about discrepancies found in the claiming of mileage in a Council establishment. No irregularity was found due to incomplete records. Control improvements have been recommended.

Internal Audit Performance Indicators

Appendix J

Performance Measure	Qtr 1 18/19 <small>(as at 21/5)</small>	Qtr 2 18/19 <small>(as at 31/10)</small>	Qtr 318/19 <small>(as at 2/11)</small>	Target	RAG Rating	
Audits completed within planned time	87%	86%	75%	80%	A	↓
Average number of days from end of fieldwork to debrief meeting	7	11	9	20	G	↑
Average number of days from debrief meeting to the issue of draft report	1	3	2	5	G	↑
Days for departments to return draft reports	3	16	7	7	G	↑
Average number of days from response to issue of final report	3	0	0	2	G	→
Total days from end of fieldwork to issue of final report	19	33	22	34	G	↑
Productive audit days	80%	79%	88%	75%	G	↑
Client questionnaires responses as satisfied	100%	100%	100%	95%	G	→
Return of Client Satisfaction Questionnaires	40%	86%	100%	80%	G	↑

Key					
R	Target Not Achieved	A	Within 20% of Target	G	Target Achieved
↑	Improving Trend	→	No Change	↓	Worsening Trend

Internal Audit Operational Plan 2017/18 (Carry Forward)

Appendix K

Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
<b>Corporate</b>			
Income from Fees and Charges / Efficiency Savings	H	In progress	
<b>Community &amp; Enterprise</b>			
Strategic Housing and Regeneration Project (SHARP)	H	In Progress	
<b>Education &amp; Youth</b>			
Risk based thematic reviews across all schools including central controls	Annual	Complete	
<b>Governance</b>			
Joint Central Procurement Arrangement (Joint Review)	H	Complete	This review will include aggregated spend
Procurement - Aggregated Spend (Joint Review)	H	Complete	Combined within the above review
Legal Case Management	M	Complete	
<b>Organisational Change 2</b>			
Post ADM Transfer - Facilities Services (NEWydd)	H	Complete	
County Hall Campus Working Group	Advice & Consultancy	On going	Attendance at Working Group
<b>People &amp; Resources</b>			
Main Accounting – Accounts Payable (AP) / P2P	Annual	Draft report with Service	
<b>Social Services</b>			
Safeguarding - Adults at Risk	H	Complete	
<b>Streetscene &amp; Transportation</b>			
Integrated Transport Unit (ITU)	H	Draft report with Service	
Fleet Management	M	Draft report with Service	Additional work requested by the service
<b>External</b>			
Pensions Administration	Annual	Complete	

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Internal Audit Operational Plan 2018/19

Appendix L

Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
<b>Corporate</b>			
Budget Planning Challenge	H	Not Started	Qtr 4
Business Planning, Risk and Performance Management	H	Not Started	Qtr 4
North Wales Residual Waste Project (FCC)	H	Not Started	Qtr 4
North Wales Residual Waste Project (Lead)	H	Combine	Combine both Lead and FCC audit
Declaration of Interests	H	In Progress	
Clwyd Theatre Cymru (CTC)	H	Complete	
Collaborative / Partnerships Arrangements (CC - Social Services)	M	In Progress	
Integrated Impact Assessments	M	Defer	Defer until 2019/20
National Grant Funded Schemes	M	Defer	Defer until 2019/20
Use of Consultants	Annual	Complete	
NWRW - Validation of Local Labour Figures	Advice & Consultancy	Complete	Request to review CNIMs local labour figures
<b>Education &amp; Youth</b>			
Risk Based Thematic Reviews	H	Not Started	
School Funds	H	In Progress	
School Funding Formula (CC - People & Resources)	M	Complete	
Pupil Statistics - Cross Cutting	M	Complete	
Early Entitlement	M	Defer	Defer until 2019/20
Education Grants - Including Education Improvement Grant (EIG) & Pupil Development Grant (PDG)	Annual	Complete	
<b>Governance</b>			
Digital Strategy	H	Combine	Combine with Online Transactions DS
Cloud Computing	H	Not Started	Qtr 4

Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
Procurement - Contract Monitoring (Joint Working - Denbighshire)	H	Not Started	Qtr 4
Deferred Charges on Properties (CC - Social Services & Planning, Environment & Economy)	H	In Progress	
Online Transactions (Digital Strategy) (CC – Strategic Programmes)	H	Not Started	Combine with Digital Strategy
Members Allowances	M	In Progress	
Procurement of Hardware & Software	M	Defer	Defer until 2019/20
GDPR	Annual	Not Started	
<b>Housing &amp; Assets</b>			
Welsh Housing Quality Standards (WHQS) Investment Plan	H	In Progress	
CAT - New	H	No longer relevant	No new CAT's
ADM - New	H	Not Started	No new ADM's presently
Property Valuations	H	Not Started	Qtr 4
Right to Buy (buyback) / Home Loans	M	Defer	Defer until 2019/20
Empty Property (Void) Mgt	M	In Progress	Scoped
Travellers	M	Complete	
New Homes - Contract Management	M	In Progress	
Property Maintenance	M	In Progress	
Technology Forge (TF)	M	In Progress	
Supporting People	Grant	Complete	
Council Tax and NNDR	Annual	Not Started	
Housing Benefits	Annual	Not Started	
Main Accounting - Accounts Receivable, including Corporate Debt Management (CC - People & Finance)	Annual	Not Started	
Homelessness	Follow Up	In Progress	
SARTH	Follow Up	In Progress	
<b>People &amp; Resources</b>			
Financial Model, incorporating Collaborative Planning	H	In Progress	
P2P – Transfer of Process	H	In Progress	



Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
School Funding Formula (CC - Education & Youth)	M	Complete	
Corporate Grants	M	Defer	Defer until 2019/20
Main Accounting - Accounts Payable (AP) and P2P	Annual	Not Started	Qtr 4
Main Accounting - Accounts Receivable (AR), include Debt Management (Cross cutting with Community & Enterprise)	Annual	Not Started	Qtr 4
Main Accounting - General Ledger (GL)	Annual	In Progress	Qtr 4
Method Statements	New	Complete	
Appraisals	H	In Progress	
Pay Modelling 2018/19	New	Complete	
Pay Deal 2019/20	H	In Progress	
Notification of Start, Leavers and Changes to Clwyd Pension Fund	M	Not Started	
Annual Leave	M	In Progress	
Occupational Health Unit	M	In Progress	
Payroll	Annual	Not Started	
<b>Planning, Environment &amp; Economy</b>			
Minerals and Waste	H	Not Started	
Corporate Health & Safety – Near Misses, including Plant, Machinery and Work Equipment (CC - Social Services & Streetscene & Transportation)	H	Not Started	
Deferred Charges on Properties (CC - Governance & Social Services)	H	In Progress	
Community Safety Partnership	M	Defer	Defer until 2019/20
Bailey Hill	M	In Progress	
Planning & Enforcement	Follow Up	Complete	
Disabled Facility Grants (DFGs)	Follow Up	In Progress	
Carbon Reduction Scheme (CRC)	New	Complete	
<b>Social Services</b>			
Children out of County Care & Education	H	Not Started	
Collaborative / Partnerships Arrangements (CC - Corporate)	H	In Progress	

Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
Deferred Charges on Properties (CC - Governance & Community & Enterprise)	H	In Progress	
Corporate Health & Safety – Near Misses, including Plant, Machinery and Work Equipment (CC – Planning, Environment & Economy & Streetscene & Transportation)	H	In Progress	
Direct Payments	M	In Progress	Nov
Flying Start - WG Funding	M	Defer	Defer until 2019/20
Safeguarding - Children's	M	Not Started	
Social Services Financial Processes	Follow Up	In Progress	
<b>Streetscene &amp; Transportation</b>			
Highways - Cost Recovery	H	Not Started	
Service Efficiency and Income Targets	H	In Progress	
Corporate Health & Safety – Near Misses, including Plant, Machinery and Work Equipment (CC - Planning, Environment & Economy & Social Services)	H	Not Started	
Regional Transport	M	Not Started	
Alltami Stores	Follow Up	In Progress	
Public Burials	New	Complete	
<b>External</b>			
Aura	SLA (20 Days)	Not Started	Qtr 4
NEWydd	SLA (10 Days)	Complete	
<b>Advisory / Project Groups</b>			
Corporate Governance Working Group	Advice & Consultancy	In Progress	
Accounts Governance Group	Advice & Consultancy	In Progress	
Annual Governance Statement	Advice & Consultancy	In Progress	
Council's Constitution	Advice & Consultancy	-	Not required to date
North Wales Residual Waste Project	Advice & Consultancy	In Progress	
E Procurement Working Group	Advice & Consultancy	In Progress	
GDPR Working Group	Advice & Consultancy	In Progress	
County Hall Campus / Relocation/ Working Group	Advice & Consultancy	In Progress	

Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
Programme Coordinating Group	Advice & Consultancy	In Progress	
Financial System	Advice & Consultancy	-	No Longer Required
<b>Anti-Fraud and Corruption</b>			
National Fraud Initiative (NFI)	Proactive Fraud	In Progress	
Review and Update the Counter Fraud Policies and Plans	Proactive Fraud	In Progress	
Develop On-line Fraud Reporting Solution	Proactive Fraud	-	
Annual CIPFA Fraud & Corruption Survey	Proactive Fraud	-	
Fraud Risk Awareness	Proactive Fraud	In Progress	
<b>Audit Developments</b>			
Continue to develop the use of Computer Assisted Audit Tools and Techniques	Development	In Progress	
Continue to develop and refine the use of Control Risk Self-Assessments	Development	In Progress	
Develop the use of Root Cause Analysis	Development	-	
Assurance Mapping Exercise	Development	In Progress	

**Glossary**

<b>Risk Based Audits</b>	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.
<b>Annual (System Based) Audits</b>	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.
<b>Advice &amp; Consultancy</b>	Participation in various projects and developments in order to ensure that controls are in place.
<b>VFM (Value For Money)</b>	Audits examining the efficiency, effectiveness and economy of the area under review.
<b>Follow Up</b>	Audits to follow up actions from previous reviews.
<b>New to Plan</b>	Audits added to the plan at the request of management. <b>All new audits to the plan are highlighted in red.</b>
<b>Audits to be Deferred</b>	Medium priority audits deferred. <b>These audits are highlighted in green within the plan.</b>

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## AUDIT COMMITTEE

<b>Date</b>	Wednesday 21 <sup>st</sup> November 2018
<b>Report Subject</b>	General Data Protection Regulation Compliance
<b>Cabinet Member</b>	Cabinet Member for Corporate Management and Assets
<b>Report Author</b>	Chief Officer (Governance)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. It replaces the Data Protection Act 1998 and enhances the protections and rights afforded to personal data. The Council began preparing for the change in legislation 18 - 24 months before the implementation date.

The requirements of the legislation were addressed through 5 work streams:

1. the creation of an Information Asset Register to record what personal data the Council holds;
2. software system compliance with individual rights under the legislation such as the “right to be forgotten”;
3. the completion of updated privacy notices given to people at the point we collect their personal data;
4. the insertion of standard clauses governing the relationship between the Council and companies processing data on its behalf; and
5. training for employees on data protection.

An audit in the run up to the 25 May found that, whilst the Council had made some progress, it was not fully compliant with the requirements of the legislation. Since that time, every Chief Officer has established an action plan to ensure compliance within their portfolio.

Each of those work streams is now either complete or satisfactory progress has been made.

## RECOMMENDATIONS

1	That Members are assured that the remedial actions identified have and will, if implemented, address the control weaknesses identified.
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## REPORT DETAILS

<b>1.00</b>	<b>Explaining the Internal Audit Findings</b>
1.01	The General Data Protection Regulation (GDPR) came into force on 25 May 2018. It is a piece of European legislation that has direct effect in the UK i.e. it does not need an act of Parliament to be binding in the UK. The GDPR has nevertheless been incorporated into UK law so that it will continue to apply post Brexit.
1.02	<p>The GDPR enhances existing data protection requirements such as the need to give clearer explanations of how data will be used at the point of collection via a privacy notice. It also creates new rights for individuals such as the so called right to be forgotten i.e. the right to have personal data erased from computer systems. The legislation also enhances the obligations and penalties for non-compliance:</p> <ul style="list-style-type: none"> <li>• in some circumstances personal data breaches must be self-reported to the Information Commissioner’s Office within 72 hours;</li> <li>• the maximum fine for non-compliance was increased to €20 million or 4% of turnover (whichever is higher)</li> </ul>
1.03	<p>Ensuring compliance with the requirements of the legislation were addressed through 5 work streams:</p> <ol style="list-style-type: none"> <li>1. the creation of an Information Asset Register to record what personal data the council holds;</li> <li>2. system compliance with individual rights under the legislation such as the “right to be forgotten”;</li> <li>3. the completion of updated privacy notices given to people at the point we collect their personal data;</li> <li>4. the insertion of standard clauses governing the relationship between the Council and companies processing data on its behalf; and</li> <li>5. training for employees on data protection.</li> </ol>
1.04	<p>The Information Asset Register lists every system where the Council holds personal data either physically or electronically. It defines the total scope of the systems that need to be made complaint with the legislation. If every asset is collected, processed and destroyed in a compliant manner then the council will have complied with the majority of its obligations under the legislation.</p> <p>There are 1,429 assets on the register. Of these 1,378 are compliant or being assessed. 51 either need to be submitted or need further work.</p>
1.05	The Council operates 68 externally provided software systems that process

	<p>personal data. Each of them needs to be capable of delivering the new rights granted by the GDPR to individuals. One such right is the so called right to be forgotten i.e. the right to have the Council erase that person's personal data.</p> <p>A set of detailed questions was created to enable services to establish the extent of compliance for their systems. Using that information it has been possible to categorise systems into 3 levels of compliance:</p> <ol style="list-style-type: none"> <li>1) the system is fully able to deliver those rights;</li> <li>2) a system requires a planned update or upgrade (which has been commissioned but not yet provided) to deliver those rights; and</li> <li>3) it will not be possible, or is not possible in an effective or economic manner, to make the system compliant.</li> </ol> <p>10 systems fall into the 3<sup>rd</sup> category. All are considered low risk. The Information Governance Team is working with services to identify the scale of risk this represents, and whether alternative manual processes can be used to mitigate that risk.</p>
1.06	<p>When the Council collects personal data it must tell the individual such matters as:</p> <ul style="list-style-type: none"> <li>• the purpose for its collection</li> <li>• how it will be used</li> <li>• the statutory basis for collection</li> </ul> <p>This is achieved through a privacy notice, and the GDPR has increased the range and level of detail required. Every privacy notice within the Council needs updating to reflect the new requirements.</p> <p>The first phase of planned compliance is to ensure all electronic forms on the council's website are compliant. This has been achieved. The second phase of compliance is to ensure that paper forms meet the requirements. The forms collecting the most sensitive personal data, e.g. for social services, are known to be compliant. However, further work is needed to fully document the level of compliance.</p>
1.07	<p>The GDPR requires the Council to impose fresh obligations on anyone processing data on its behalf. The Legal Service has used the contract register to identify the contracts that might need these clauses retrospectively adding and, likewise, services are identifying contracts not on the register that need to be updated. Adding the clauses can be a lengthy process because it depends on achieving the agreement of the contractor/contractor's lawyers. The required clauses have been inserted in all new contracts let since May.</p>
1.08	<p>The Council has identified which of its employees who need GDPR training, based on their responsibilities and the sensitivity of the data they handle. It has also the interval at which they need to refresh that training by undertaking a further course. This is an ongoing nature of the task with training "lapsing" after a given time and the need for refresher training. The statistics below show those who have current training and those who require a refresher.</p>

<b>Portfolio</b>	<b>Current Training</b>	<b>Lapsed</b>	<b>Total</b>
Chief Executives	78.57%	7.14%	85.71%
Community and Enterprise	58.92%	23.91%	82.83%
Education and Youth	52.36%	15.18%	67.54%
Governance	80.51%	6.78%	87.29%
Org Change 1 (Community)	100.00%	-	100.00%
Org Change 2 (ASM)	12.50%	87.50%	100.00%
People and Resources	70.93%	22.67%	93.60%
Planning and Environment	33.33%	36.59%	69.92%
Social Services	59.54%	15.90%	75.44%
Streetscene and Transportation	7.38%	4.36%	11.74%
<b>FCC</b>	<b>52.46%</b>	<b>16.84%</b>	<b>69.30%</b>

1.09 The Chief Executive and Chief Officer Team have received monthly reports on the level of compliance. All have shown leadership and engaged directly in preparing and overseeing the implementation of individual portfolio plans which have increased levels of compliance. These actions have resulted in the significant improvements seen since March. Of the 6 original recommendations 5 have been fully completed with the 6<sup>th</sup> being in progress.

## **2.00 RESOURCE IMPLICATIONS**

2.01 The Council employed an additional post to assist with the transition. It has incurred costs associated with changes to software and the totals cost will be calculated when all the necessary changes are known. In addition, there has been officer time to plan and implement the changes within the services themselves.

2.02 The potential cost of fines for non-compliance clearly outweigh the cost of achieving compliance. The trust of residents who are willing to supply their personal data to the Council (and by implication to trust it with that data) is a non-tangible benefit of compliance.

## **3.00 CONSULTATIONS REQUIRED / CARRIED OUT**

3.01 None

## **4.00 RISK MANAGEMENT**

4.01 In seeking to achieve compliance with the legislation, risk judgements have been taken about issues such as the consistency of recording on the



	information asset register, and the compliance of privacy notices on paper forms. There has needed to be a balance between service disruption by diverting resources and achieving minimum levels of compliance that can form the basis for further effort. Ultimately, compliance with GDPR must itself be seen as a means of risk management, reducing the potential for loss of personal data and the consequent reputation damage and possible fines.
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<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Status update on recommendations

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None  <b>Contact Officer:</b> Gareth Owens, Chief Officer (Governance) <b>Telephone:</b> 01352 70 2344 <b>E-mail:</b> <a href="mailto:gareth.legal@flintshire.gov.uk">gareth.legal@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	Personal Data – any data which tend to identify a living individual.

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## 1 Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	When	Current Status
1 (R)	<p><b>Information Asset Register</b></p> <p>A corporate Information Asset Register (IAR) is in place and Managers have been instructed and trained to fully populate with their identifiable assets.</p> <p>In the service areas within portfolios which were examined in more detail, it was found that asset owners had made some attempt to complete the IAR but had not finished and in other cases, asset owners had not made a start to include any assets onto the IAR. This was due to resource issues and the predetermined retention periods being inaccurate within the IAR. At present (23/3/18) there are:-</p> <ul style="list-style-type: none"> <li>Total assets recorded – 1127</li> <li>Approved – 732</li> <li>Pending – 142</li> <li>Rejected – 33</li> <li>Not submitted for approval – 220</li> </ul> <p>The Information Governance Manager believes there are a large number of assets which are not currently contained within the IAR. This was confirmed following completion of the testing.</p> <p>Testing was carried out on specific services in the</p>	<p>All Chief Officers plus their Data Protection representatives to meet the Information Governance Manager and his team for help to draw up an action plan for their service. The responsibility to draw up the plan and implement it rests with each Chief Officer based on advice received. Meeting to take place during June and action plan to be ready by end of June. (Information Governance Manager to circulate the up to date position on GDPR compliance to CO's ahead of the meeting referred to above).</p> <p>The Chief Officer (Governance) will reinforce the urgency to Chief Officers in the next Chief Officers Team (COT) to instruct their staff to fully populate the IAR.</p> <p>This includes all service areas of the Council including Clwyd Theatr Cymru who must adhere to GDPR in accordance with the guidance as issued by the IGT.</p> <p>Each Chief Officer will take responsibility for ensuring this action is addressed within</p>	30/09/18	<p><b>Implemented</b></p> <p>Information Governance Manager has met all Chief Officers and advised what needs to be included in the action plans. This has been reinforced through the Data Protection Representatives at the monthly Data Protection Meetings.</p> <p>Portfolio action plans are a standing agenda item at every monthly meeting.</p> <p>A central location has been created for all Portfolio action plans to be saved.</p> <p>Chief Officer (Governance) has escalated to COT colleagues. IAR stats are reported to the DP Project Board. Full</p>

No.	Findings and Implications	Agreed Action	When	Current Status
	<p>following areas:-</p> <ul style="list-style-type: none"> <li>• County Registrars Service;</li> <li>• Flintshire Connects Service and Blue Badges;</li> <li>• Clwyd Theatr Cymru;</li> <li>• Council Tax and NNDR;</li> <li>• Regulated Services, Adult Social Care;</li> <li>• Schools Modernisation team;</li> <li>• Payroll (only IAR reviewed).</li> </ul> <p>The majority of the services have made a start to include the assets into the corporate register. However, some portfolios have not yet added assets into the IAR and the Council is at risk of not being GDPR compliant by the 25th May 2018.</p> <p>Whilst Clwyd Theatr Cymru are seen to be separate to the Council and they maintain their own asset register and have separately registered with the ICO for the box office. They have attended the GDPR corporate project group but not frequently. At present they are to be classed as a Council Service and therefore full adherence to GDPR as stated by the Information Governance Team is required.</p> <p>The implication is that as a Council Service if they fail to adhere internally, then the Council will not be compliant with GDPR in May.</p>	<p>their Portfolio.</p> <p>URN 02133</p>		<p>details of all assets that need re-submitted have been provided to Portfolios.</p> <p>There are currently 1,411 assets in the IAR, with 72 requiring further action by Portfolios.</p> <p>Theatr Clwyd have a comprehensive Data Protection compliance document. Information Governance Manager attends Theatr Clwyd DP team meeting.</p> <p>Each Chief Officer has been tasked with maintaining Action Plans for their respective Portfolios.</p>
2 (R)	<p><b>System Capabilities</b></p> <p>Ability to comply with the new rights for individuals and the basic requirements of deletion and full compliance with retention periods are not yet known for the majority of IT systems used across the Council.</p>	<p>In addition to 1(R) above the action should include all systems used and owned within each portfolio to provide a comprehensive statement regarding system capability, ensuring adherence to GDPR.</p>		<p><b>In Progress</b></p> <p>Chief Officers have been advised that Individual Rights compliance should be included in the Portfolio action plans.</p>

No.	Findings and Implications	Agreed Action	When	Current Status
	<p>The System Administrators are responsible for ensuring the systems are capable of delivering what is required to ensure compliance and most of the system administrators are currently in talks with their system providers.</p> <p>The Information Governance Team have provided a number of system admin training workshops which were well attended and have established a set of defined test sheets which system administrators need to complete.</p> <p>Very few systems across the Council have been tested to determine full or partial compliance with the new rights as most System Administrators are awaiting confirmation from their 3<sup>rd</sup> parties.</p> <p>COT have received a list of the main IT systems that require testing, this was issued by the Information Governance Manager.</p> <p>The main risks associated with this are noncompliance of 3<sup>rd</sup> party systems and any associated costs which they request to comply with GDPR. Failure to test systems for compliance with the new rights will leave the Council in a vulnerable position should the new rights be exercised and the System Administrators are unable to confirm that the system is able to achieve the requirement/s of the Act.</p>	<p>The testing on each system should be carried out and the results supplied to the Information Governance Team immediately.</p> <p>The Information Governance Manager will continue to maintain a spreadsheet which identifies the software systems where we do not have confirmation of compliance, via each Portfolio at every Data Protection Team meeting.</p> <p>Portfolios should seek to confirm compliance where they have not already done so. Where we do not have confirmation of compliance from suppliers (despite reminders and chasers being sent by the Authority), these systems will be escalated by the Chief Executive and Chief Officer Governance who will formally write to the suppliers on behalf of the Council.</p> <p>The Data Protection Representatives (DPR) should be ensuring their portfolios are aware of the urgency in obtaining the assurance from the system providers and regularly review and communicate with all Managers to obtain assurances.</p> <p>URN 02170</p>	<p>30/09/18</p> <p>30/09/18</p> <p>30/09/18</p>	<p>Test sheets have been supplied to all System Admins to evidence the testing. Completed test sheets should be provided to the Information Governance Team.</p> <p>The IG Team maintain a spreadsheet of compliance levels against each system. All systems have been rated as</p> <ol style="list-style-type: none"> <li>1) Compliant</li> <li>2) Work has been commissioned or is planned to achieve compliance</li> <li>3) Compliance is either not possible or not cost effective</li> </ol> <p>The Council has a total of 68 systems which breakdown into the categories as follows:</p> <ol style="list-style-type: none"> <li>1) Compliant – 22</li> <li>2) Compliance is planned – 34</li> <li>3) Not compliant – 11</li> </ol> <p>This is a standing agenda item at the monthly meetings and reported to</p>

No.	Findings and Implications	Agreed Action	When	Current Status
				the DP Project Board.
3 (R)	<p><b>Privacy Notices</b></p> <p>In the majority of Service areas examined not all of the privacy notices had been reviewed and updated in accordance with GDPR. The current process which has been communicated to staff, is the Manager of the area would review and update accordingly, once completed they should issue the revised privacy notice to the IGT for them to review, to ensure compliance with GDPR. There are examples of good practice notices contained on the Council's infonet to assist.</p> <p>The IGT have identified all Privacy Notices contained within E Forms on the Councils web site. They have contacted the staff who are responsible for the forms and have asked them to review, update and ensure adherence to the GDPR, a time scale for this to be completed has been set for the 11<sup>th</sup> May 2018.</p> <p>The implications of any Council privacy notice not being compliant with GDPR is a risk and individuals will not be aware of how the Council are processing their data, which may result in the Council being fined.</p>	<p>As well as 1(R) and 2(R) the action plan should clearly identify compliance with GDPR for all privacy notices used across Portfolios.</p> <p>The E Forms which have privacy notices attached, and have not been submitted for review by the 11<sup>th</sup> May will be removed from the web site and should not be used again until they have been fully reviewed and are in compliance with GDPR.</p> <p>URN 02169</p>	30/09/18	<p><b>Implemented</b></p> <p>All forms on the website are fully compliant. The IAR indicates to portfolios where personal data is being gathered and so will identify potential forms that will need a compliant privacy notice. Future work will be to assess the number of compliant privacy notices as a proportion of information assets.</p> <p>A Privacy Notice checklist is available to all staff on the Infonet to help draft compliant Privacy Notices.</p>
4 (A)	<p>Each Portfolio has a Data Protection Representative (DPR) who attends the Data Protection Corporate Group (DPCG), and is the first point of contact for DP issues within portfolios. They disseminate information fed from the DPCG across their portfolios to ensure Managers and the workforce are aware of their responsibilities with regard to DP.</p>	<p>DP Representative's should have a written terms of reference, which ensures full coverage of the whole portfolio and a prescribed description of expectations required of them.</p> <p>Some portfolios may want to address the DPR's and may decide that more than one</p>	30/09/18	<p><b>Implemented</b></p> <p>The revised TOR was approved at the October DP meeting.</p> <p>The TOR allow for more than one Portfolio representative, at the</p>

No.	Findings and Implications	Agreed Action	When	Current Status
	<p>Where there is one GDPR representative across a Portfolio made up of different service areas, evidence has been found where DP Reps have not disseminated across all the service areas in their Portfolio.</p> <p>This could result in service areas not receiving the information and advice required on the run up to GDPR.</p>	<p>is required to ensure full coverage over the entire portfolio.</p> <p>URN 02131</p>		<p>discretion of each Portfolio.</p>
5 (A)	<p>The Information Governance Manager has procured a retention schedule from an external source, mainly due to it being readily available, already completed and the resource capacity required to prepare an internal schedule. It has been found that there are instances where this retention schedule does not meet the current or proposed retention periods required by the Council to support the business needs of the Council.</p> <p>The current IAR automatically selects the retention period from a default list when the data type is selected and asset owners are unable to change the retention periods as the field is locked. This is causing problems for asset owners and a reluctance to input assets into the IAR which will then hold inaccurate retention periods. This is a known problem across the Council and has been discussed at the project group.</p> <p>A decision has been taken by the Information Governance Manager that asset owners should complete the IAR (which may populate the incorrect retention period), which will require altering at a later date. The decision has been made owing to time constraints to implement GDPR at present.</p> <p>Failure to address the retention period in the initial stages</p>	<p>Data Protection Representatives to instruct their portfolio Managers to complete the IAR even where known problems and retention periods do not match corporately.</p> <p>The IAR is currently being developed in house to allow an extra field which the user can state the retention period they wish to adhere to which will differ from the dates suggested in the externally purchased version.</p> <p>URN 02134</p>	30/09/18	<p><b>Implemented</b></p> <p>Both points have been implemented.</p> <p>Development on the IAR has been completed to allow users to state their own retention period.</p> <p>The IAR is now almost fully populated as shown below</p> <p>Total assets – 1429 Approved – 1367 Rejected – 33 Pending – 11 Not Submitted – 18</p>

No.	Findings and Implications	Agreed Action	When	Current Status
	of rollout have resulted in inaccurate data within the IAR and the need to duplicate work at a later stage.			
6 (G)	<p>There were instances found where staff members had originally been recorded as the data owner within the IAR, who have since moved portfolios. The details have not been updated to reflect the changes of ownership.</p> <p>It is the intention of the Information Governance Manager to annually verify with the data owner that the information they hold is accurate, although as the IAR has not been in place for 12 months, this process has not started.</p> <p>Inaccurate data within the IAR will result in incorrect data being recorded and stored.</p>	<p>Inform staff members to update any changes that are required within the IAR on a timely basis and ensure a review of their service area is carried out annually, as already stated and planned by the Information Governance Manager.</p> <p>URN 02142</p>	31/12/18	<p><b>Implemented</b></p> <p>This is workflow within the IAR that will generate an action on the Information Asset Owner to review assets on the anniversary of the asset being first approved. IAR is a standard agenda item at the team meeting and DP Project Board.</p> <p>The workflow to facilitate the annual testing is now live.</p>





## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 21 November 2018
<b>Report Subject</b>	Audit Committee Self-Assessment
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

This report shows the results of the Audit Committee self-assessment carried out in September 2018 during a facilitation workshop. The workshop was well attended with six out of the eight members present and the level of contribution highlighted opportunities for further improvement.

The results of the self-assessment will also form the basis of training or development required by the Committee and it will feed into the preparation of the Annual Governance Statement 2018/19.

The results of the workshop and self-assessment are detailed in Appendix A. Given the Audit Committee largely comprises of new members, a comparison to previous year's self-assessment results has not been undertaken this year. An Action Plan for further areas of improvements is also forms part of Appendix A.

### RECOMMENDATIONS

1	That the Committee considers the results and reaches a decision on any action required, further information needed, and identifies development or training required for individuals or collectively.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT</b>
1.01	The Chartered Institute of Public Finance and Accountancy (CIPFA) published 'Audit Committee – Practical Guidance for Local Authorities and Police' in May 2018, with the aim of providing CIPFA's view of best practice for Audit Committees and of supporting them in operating effectively. The guidance includes a self-assessment questionnaire on Evaluating the Effectiveness

	of the Audit Committee. This questionnaire was adapted to use as part of the facilitation workshop.												
1.02	The Audit Committee is part of the governance framework of the Authority. It is therefore appropriate for the results of the self-assessment undertaken as part of the facilitation workshop to be incorporated into the Annual Governance Statement for 2018/19 which reports on overall governance within the Authority and will be published with the annual accounts.												
1.03	<p>To evaluate the effectiveness of the Audit Committee a self-assessment was undertaken by Audit Committee members using voting key pads. The self-assessment involved 13 questions covering five specific areas:</p> <ul style="list-style-type: none"> <li>• Purpose of Audit Committee</li> <li>• Governance, Risk Management, and Internal Control</li> <li>• Financial Reporting</li> <li>• Assurance – Internal Audit, External Audit and Other Regulatory Bodies</li> <li>• Audit Committee Accountability</li> </ul> <p>The graph below demonstrates the overall result of the self-assessment is positive. Appendix A of the report covers in detail the 13 questions and responses to these questions.</p> <div style="text-align: center;"> <table border="1"> <caption>Self-Assessment to Evaluate the Audit Committee's Effectiveness Combined Question Scores split by Answers</caption> <thead> <tr> <th>Answer</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Strongly Agree</td> <td>12</td> </tr> <tr> <td>Agree</td> <td>42</td> </tr> <tr> <td>Neither agree or disagree</td> <td>18</td> </tr> <tr> <td>Disagree</td> <td>9</td> </tr> <tr> <td>Strongly Disagree</td> <td>2</td> </tr> </tbody> </table> </div> <p>During the workshop the Audit Committee discussed the scores, identifying areas for further improvement, including those questions answered 'Disagree / Strongly Disagree'. These actions are also detailed within Appendix A.</p>	Answer	Count	Strongly Agree	12	Agree	42	Neither agree or disagree	18	Disagree	9	Strongly Disagree	2
Answer	Count												
Strongly Agree	12												
Agree	42												
Neither agree or disagree	18												
Disagree	9												
Strongly Disagree	2												

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None from the report itself. Resources may be required to address any actions or development needs identified.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Summary results compiled from facilitation workshop attended by Audit Committee members.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The Audit Committee is part of the governance framework for the Authority. It therefore must function effectively to fulfil its role. This process allows the committee to assess how effective it is and take action to mitigate any deficiencies.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Results of Audit Committee Self-Assessment and Action Plan

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager  <b>Telephone:</b> 01352 702231  <b>E-mail:</b> <a href="mailto:Lisa.brownbill@flintshire.gov.uk">Lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basis principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.

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Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
<b>Purpose of Audit Committee:</b>										
Page 181	Each Audit Committee member understands the committee has different roles and responsibilities to those of Overview & Scrutiny.	2	4	0	0	0	The Committee confirmed they understand the Committee has different roles and responsibilities to those of Overview & Scrutiny (O&S); however, this is an area they are particularly keen in linking up to ensure there is a clear process for raising areas of risk to the relevant O&S and vice versa. This links in with question 10.	No Action	-	-
	2	The Audit Committee's Terms of Reference clearly defines and accurately reflects its responsibilities in promoting good governance and acting independent and objective at all times.	2	4	0	0	0	The composition of the Committee was discussed, including the size, frequency and timing of meetings. Whilst there was some discussion on the size and timing of the meetings, it was felt that due to the current makeup of the committee members, there was little need to adjust the timing of meeting. Therefore this would be revaluated should there be any new members or where the timing of all other committee	<ul style="list-style-type: none"> <li>Update and present the revised Terms of Reference and Charter to the November Audit Committee for consideration.</li> <li>Review the timing of the meetings should new members join the committee.</li> </ul>	Internal Audit Manager & Audit Committee
									Audit Committee	On going

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
Page 182							<p>meetings were altered. It was confirmed the size of the committee could not be amended unless requested to do so at the Council's AGM.</p> <p>In the main the Committee agreed to revised Terms of Reference and Charter that was circulated prior to the workshop. The Terms of Reference had been updated to bring them in line with current practices of the Committee and to include the requirement for the Audit Committee to provide an annual report to full council to demonstrate their accountability.</p>			
	<b>Governance:</b>									
3	The Audit Committee is regarded as being an essential part of the Council's corporate governance	2	2	2	0	0	Overall the majority of Committee members felt that the Audit Committee was seen as an essential part of the Council's governance framework, however they were keen to seek a wider view.	It was agreed that next year the same question would be asked of Overview & Scrutiny, Cabinet members and Chief Officers.	Internal Audit Manager	2019/20 Self-Assessment

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
	framework.									
4	The Audit Committee provides meaningful assurance to Council and management as to the effectiveness of areas such as <i>Corporate Governance, Risk Management, Financial management and Internal Control.</i>	1	2	2	1	0	<p>The responses obtained varied between score of 1-4. This prompted discussions in the first instance of what assurance actually is. The Audit Committee were comfortable with the need to obtain confidence from the various sources to demonstrate effective Corporate Governance, Risk Management, Financial Reporting and Internal Control. A number of suggestions were made where this could be improved to give the committee greater confidence and understanding.</p>	<ul style="list-style-type: none"> <li>Given the Audit Committee members are relatively new to the committee, guidance on the areas to consider / focus in on e.g. statement of accounts, would greatly benefit the members. It was agreed a short briefing would be provided at a committee meeting prior to any major paper being presented to Committee. This particularly relates to the statement of accounts and AGS.</li> <li>The committee discussed the overall assurance opinion determined by the Internal Audit Manager at the year end. The committee felt that it would be useful to have a cumulative picture of this on an ongoing basis rather than waiting until the year end. It was agreed that the Internal</li> </ul>	<p>Internal Audit Manager, Audit Committee &amp; Key Officers</p> <p>Internal Audit Manager</p>	<p>On going</p> <p>November 2018 and on going</p>

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
Page 184								<p>Audit Progress Report would provide this information throughout the year.</p> <ul style="list-style-type: none"> <li>The risk profile of the Council was discussed on how the Committee could obtain assurance in relation to those strategic risks which are effectively out of the controls of the Council. It was agreed that areas such as the Council's response to continuity plans e.g. BREXIT, could be explored.</li> <li>The impact on decision making was discussed and whether service delivered their intended outcomes. Whilst this could form part of Internal Audits work it also falls under the responsibility of the Overview &amp; Scrutiny Committees.</li> </ul>	<p>Chief Officer - Governance &amp; Internal Audit Manager</p> <p>Internal Audit Manager and Chairs / Vice Chair Liaison Group</p>	<p>March 2019</p> <p>On going</p>



Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
Page 185								<ul style="list-style-type: none"> <li>IT Priorities was another topic explored by the committee as a number of actions appear to be on hold due to IT priorities. The committee agreed it would be helpful if IT could share with committee their approach to demand planning and how management actions fit into this.</li> </ul>	Internal Audit Manager & ICT Services	March 2019
								<ul style="list-style-type: none"> <li>The Committee commented that sometimes it was difficult to extract the information needed due to the size of certain documents. Example the AGS is long and wordy when they really need to feel assured.</li> </ul>	Internal Audit Manager & Key Officers	On going
								<ul style="list-style-type: none"> <li>The Committee also suggested there may be times they need additional information to gain assurance or an explanation, particularly when relating to poor</li> </ul>	Audit Committee	As and when required

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
Page 186								<p>performance or delays in implementing management actions.</p> <p>This would be reviewed on a case by case basis to determine the best approach. Options include, escalating to the Chair and Vice Chair Liaison Group for the relevant Overview and Scrutiny Committee to take forward or invite the relevant Chief Officer and or Service Manager to attend Audit Committee.</p>		
	<b>Financial Statements</b>									
5	The Audit Committee obtains sufficient information to provide assurance and make recommendations over the quality	0	4	2	0	0	In the main the Committee felt that they obtained sufficient information to provide assurance and make recommendations. However they also identified further areas for improvement.	<ul style="list-style-type: none"> <li>Given the Audit Committee members are relatively new to the committee guidance on the areas to consider / focus training in relation to the statement of accounts would benefit the committee – it was agreed that prior to any major</li> </ul>	Internal Audit Manager to liaise with Key Officers	On going

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
Page 187	and accuracy of the Financial Statements.							<p>paper to be presented to the Committee, a short briefing on the subject to take place the committee meeting before.</p> <ul style="list-style-type: none"> <li>Audit Committee agreed that the above would assist them in questioning and challenging information they receive going forward.</li> </ul>	Audit Committee	On going
	<b>Assurance – Internal Audit:</b>									
6	The Audit Committee obtains sufficient assurance over the quality of the Internal Audit service.	1	5	0	0	0	<p>The Committee confirmed they obtained sufficient assurance over the quality of the Internal Audit Service operationally (PIs).</p> <p>The Audit Committee asked how Internal Audit could demonstrate its effectiveness in proving value to the Council. Whilst the work of Internal Audit is aimed to deliver value in the nature it provides assurance to management, alternative approaches to</p>	Develop reporting method to demonstrate further the value of work Internal Audit Service delivers.	Internal Audit Manager	June 2019

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
							demonstrate value will be sought.			
Page 18	The Audit Committee obtains sufficient assurance over the Council's approach to Counter Fraud.	0	5	1	0	0	In the main, the Committee felt that they obtained sufficient assurance of the Council's approach to countering fraud.	No action	-	-
<b>Assurance – External Audit</b>										
8	The Audit Committee obtains sufficient assurance over the quality of the External Audit service.	1	4	0	1	0	Collectively the Committee discussed the results and confirmed overall they obtained sufficient assurance over the quality of the External Audit service.	No action	-	-
<b>Audit Committee - Accountability</b>										
9	Each Audit Committee member has a good understanding of the Council's priorities, statutory	1	4	1	0	0	Overall the Committee agreed they had a good understanding of the Council's priorities and obligations and how their role supports them.	No Action	-	-

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
Page 189 10	obligations and how their role as an Audit Committee member supports them.									
	Audit Committee members are provided with sufficient training and information.	1	3	0	2	0	In the main the Committee felt that they did receive appropriate training; however, through the workshop and discussion, further areas for development in the provision of training were identified.	<ul style="list-style-type: none"> <li>Due to the technicality of Treasury Management it was questioned why all members attend the session rather than the session being tailored to the needs of the Audit Committee members and for the training to cover both local and national level. To raise with Finance.</li> <li>The committee felt it would be beneficial to have ½ hour training on key topics (ahead of when they are due to be presented at Audit Committee). 9.30-10.00 is the preferred timing for the training.</li> </ul>	Finance Officers  Internal Audit Manager to liaise with Key Officers	June 2019  On going

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
								<ul style="list-style-type: none"> <li>Audit Committee to identify any specific training themes.</li> </ul>	Audit Committee	On going
Page 190	The Audit Committee collectively possesses an appropriate skills mix to enable it to fulfil its role.	0	2	3	1	0	The Committee approached this question as 'collectively' as they recognise each member has different skills and strengths. Throughout the workshop the committee explored how they could work better and smarter. Actions to support this are detailed throughout this document.	No Action	-	-
12	The Audit Committee communicates effectively with Full Council, Scrutiny Committees, the Internal Audit Manager, External Audit and other stakeholders.	0	0	4	1	1	Whilst it was felt that the Audit Committee communicates effectively with the Internal Audit Manager and External Audit, the Committee did identify further opportunities for improvement.	<ul style="list-style-type: none"> <li>The Audit Committee strongly felt committees do not currently operate as a 'whole' and welcomed the reestablishment of the Chairs / Vice Chair liaison meetings.</li> <li>The Committee explored how risks raised by Audit Committee to Chairs / Vice Chairs will be monitored. The committee was reassured that this would take place through action tracking due to the</li> </ul>	Chair & Vice Chair Liaison Group	December 2018
									Chair & Vice Chair Liaison Group	December 2018

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
Page 191								success with Audit Committees action tracking.		
								<ul style="list-style-type: none"> <li>Committee raised the need for Overview &amp; Scrutiny (O&amp;S), particularly the Cabinet Portfolio holders, to be made aware of any red / limited assurance audit reports. It was confirmed that each Chief Officer is advised to present their audit report to the relevant O&amp;S prior to attending Audit Committee. To continue with this practice, including informing the Portfolio holder. This will also be picked up as part of the work of the Chair and Vice Chair Liaison Group</li> <li>The need for the Committee to communicate further with Council. This will be achieved through the Chair and Vice Chair Liaison Group and the</li> </ul>	Internal Audit Manager and Chair and Vice Chair Liaison Group  Chair and Vice Chair Liaison Group and Chair of the Audit	On going  November 2018 June 2019

Ref	Topic	1	2	3	4	5	Comments / Resolution	Action	Responsible Officer	Due Date
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree				
Page 192								Audit Committee's annual report to Council.  • The Audit Committee felt it would be beneficial to meet all members of the Internal Audit team. An informal meeting will be arranged prior to the next committee meeting.  • A similar approach to be applied for officers responsible for finance / asset disposals, limiting this to key officers within the service.	Committee  Internal Audit & Audit Committee  Internal Audit Manager, Key Officers and Audit Committee	November 2018  March 2019
	13	The Audit Committee adequately accounts for how well it undertakes its roles and meets its terms of reference.	0	2	2	2	0	The Audit Committee recognised this was an area for improvement which is demonstrated in the score.	This will be addressed through the Chair presenting the Audit Committee's Annual Report to demonstrate their accountability.	Chair of Audit Committee
<b>Overall Score</b>		<b>11</b>	<b>41</b>	<b>17</b>	<b>8</b>	<b>1</b>				





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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 21 November 2018
<b>Report Subject</b>	Audit Committee Terms of Reference and Charter
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

In September 2018 members of the Audit Committee attended a facilitation workshop to assess the effectiveness of the Committee. During the workshop the members took the opportunity to review their Terms of Reference (TOR) and compare to the new guidance 'Audit Committees – Practical Guidance for Local Authorities and Police' issued by CIPFA in May 2018.

Since the last review in 2013, the areas of responsibility of the Committee have widened considerably. Overall, the changes outlined below reflect current practices of the Audit Committee; however, there is one new area of responsibility which is detailed in para D5 of the Terms of Reference.

To comply with best practice, a draft Audit Committee Charter has been developed to document the role the Audit Committee within the Council's Governance Framework. The Draft Audit Committee Charter is shown in Appendix C.

### RECOMMENDATIONS

1	The Committee is requested to consider and approve the changes and make any amendments it feels necessary to the Terms of Reference.
2	The Committee is requested to consider, approve, and make any amendments it feels necessary to the Audit Committee Charter.

### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT</b>
1.01	To aid clarity and transparency two copies of the Terms of Reference are included. Appendix A shows where the changes have occurred, using

	tracked changes, whilst Appendix B shows the revised Terms of Reference without tracked the changes, which is an easier read.
1.02	<p>Listed below are the main changes made to the Terms of Reference, split firstly between those required to bring the Terms of Reference up to date to meet current working practice of the Committee and secondly where there is a new requirement of the Audit Committee. Each point is referenced back to the Terms of Reference.</p> <p><b>TOR updated to cover existing areas of responsibility:</b></p> <ul style="list-style-type: none"> <li>• Approve significant interim changes to the IA risk-based plan (C7);</li> <li>• Receive regular reports on the results of the IA Quality Assurance Improvement Programmes (QAIP) (C9);</li> <li>• As part of the Internal Audit Manager’s annual report (C10): <ul style="list-style-type: none"> <li>– receive a statement on the Internal Audit’s level of conformance with the Public Sector Internal Audit Standards (PSIAS);</li> <li>– receive the opinion on the overall effectiveness of the Council’s framework of governance, risk management and internal control, which feeds into the Council’s Annual Governance Statement (AGS);</li> </ul> </li> <li>• Consider summaries of specific internal audit reports as requested (C11);</li> <li>• Receive reports where the Internal Audit Manager feels the level of risk accepted by management is unacceptable to the Council (C12);</li> <li>• Contribute to the QAIP, including the external assessment of the Internal Audit Service (C13);</li> <li>• Consider external audit annual assessment of its independence (C17);</li> <li>• Consider specific reports as agreed with the external auditor (C21); and</li> <li>• Details the protocol arrangements in place between the Council and External Regulators (C25-26).</li> </ul> <p><b>TOR updated to reflect new area of responsibility:</b></p> <p>To report to full Council and publish an annual report on the Audit Committee’s performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose (D5).</p>
1.03	Having a Charter for the Audit Committee is considered best practice. The Charter provides an overview of the role of Audit Committee has and how the Committee fits into the Council’s governance framework. The Charter is split into two main areas, Organisational Principles and Oversight of Assurance Providers. The draft Audit Committee Charter is shown in Appendix C.
1.04	After approval by the Committee, the Terms of Reference, Charter and any further changes made by the Committee, will be taken to the Constitution and Democratic Services Committee for consideration and Council for approval.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None from the report itself.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Consultation of the revised Terms of Reference and Audit Committee Charter has been undertaken with Audit Committee members, the Chief Executive, the Council's Monitoring Officer and Chief Officer, Governance, Democratic Services Manager and the Corporate Business and Communications Executive Officer.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None from the report itself.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Draft Audit Committee Terms of Reference (with tracked changes) Appendix B – Draft Audit Committee Terms of Reference (without tracked changes) Appendix C – Draft Audit Committee Charter

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager <b>Telephone:</b> 01352 702231 <b>E-mail:</b> <a href="mailto:Lisa.brownbill@flintshire.gov.uk">Lisa.brownbill@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basis principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.

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# AUDIT COMMITTEE

## Terms of Reference

DRAFT v6 – November 2018 – Tracked Changes

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## Article 7 - The Audit Committee

### 7.00 Statement of Purpose:

The terms of reference sets out the Audit Committee's position in the governance structure of the Council.

The Audit Committee is a key component of Flintshire County Council's (the Council's) corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

### 7.01 **Role:**

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

- A.** Review the effectiveness of the Authority's systems of corporate governance, internal control and risk management systems, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements;
- B.** Oversee the reporting of the statutory financial statement's process to ensure the balance, transparency and integrity of published financial information, and to review the financial statements prepared by the authority and recommend them to County Council; and

Review and scrutinise the County Council's financial affairs, and to make reports and recommendations on them. The role of the Committee is to assure the budgetary control systems of the Council rather than the scrutiny of the use and value for money of expenditure which is the role of the respective Overview and Scrutiny Committees.

- C.** Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.
- D.** Report to the Council annually, summarising the Committee's activities and recommendations.



**A. Corporate Governance, Risk Management and Internal Control and Risk Management**

1. Evaluate whether Senior Accountable Officers and service teams are ~~management is~~ setting the appropriate “control culture” by communicating the importance of internal control and risk management.
2. Consider and assure the annual update of the Code of Corporate Governance against the ‘Delivering Good Governance Framework (Wales)’.
3. Consider and assure the draft Annual Governance Statement and make appropriate recommendations/observations prior to its submission to the Council’s Regulators.
4. Evaluate the overall ~~effectiveness~~ effective development and operation of the internal control and risk management frameworks and consider whether ~~recommendations made~~ actions raised by the internal and external auditors have been implemented by Senior Accountable Officers ~~management~~.
5. Review and assure the Risk Management Strategy through regular reports on risk management and business continuity plans, processes and outcomes.
6. Monitor progress in addressing risk related issues reported to the Committee.
- 5.7. Consider the Council’s framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
8. Keep under review the Council’s Anti-Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy and the assessment of fraud risks and potential harm to the Council from Fraud and Corruption.
- 6.9. Consider the Council’s arrangements to secure value for money and review assurances and assessment on the effectiveness of these arrangements.
- 7.10. Receive reports on all fraud identified and any other special investigations, and action taken.
- 8.11. Consider how Senior Accountable Officers ~~management is~~ are held to account for the security of computer systems and applications to protect against computer fraud or misuse.
- 9.12. Ensure the rigorous application of the agreed protocol for the reporting and decision making over business cases for collaborative projects, the management of the transition for approved collaborations, and the subsequent performance management arrangements for the new collaborative services.

13. Obtain regular updates from Senior Accountable Officers management and legal advice regarding compliance matters, and be satisfied that all compliance matters have been considered in preparing the financial statements.
14. The Chair and Vice Chair of the Audit Committee together with the Chairs and Vice Chairs of the six Overview and Scrutiny Committees will attend the Chair and Vice Chair Liaison Group with the primary aim to reduce duplication of work, ensure there is a shared covered of the Council's risk profile and escalate poor performance between respective Committees.

Appendix A of the Audit Charter provides a diagram of the co-ordination of work between the Overview and Scrutiny Committees and Audit Committee.

## B. Financial:

### Statutory Financial Statements

1. Receive the draft annual Statement of Accounts, together with the underlying accounting policies for information. Consider and comment on the final statement of accounts following the receipt of the proposed audit opinion from the Wales Audit Office prior to recommending their approval to the Council.
2. Understand the controls and processes implemented by Senior Accountable Officers management to ensure the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate ~~management~~ review.
3. Meet with management and external auditors to review the financial statements, the key accounting policies and judgements, significant accounting and reporting issues and their impact on financial reports, and the results of the audit.
4. Ensure that significant adjustments, unadjusted differences, disagreements with Senior Accountable Officers management and critical accounting policies and practice are discussed with the external auditor.

### Financial Affairs

5. Understand the internal control systems implemented by Senior Accountable Officers and service team for the approval of transactions and the recording and processing of financial data.
6. Gain an understanding of the current areas of greatest risk around financial controls and advise and assure on risk management.

7. Keep under review the Council's financial procedure rules and contract procedure rules and all other corporate directions concerning financial control.
8. Review and assure the Treasury Management Strategy and Policy and consider quarterly updates on Treasury Management and make appropriate recommendations / observations to the Cabinet.

### C. Internal and External Audit

1. Keep under review the joint working arrangements of the Council's Internal and External Auditors.

#### Internal Audit

2. Promote the role of internal audit within the Council, as a key element of its control environment.
3. Review and approve the Internal Audit Charter, outlining the role, scope, independence, authority, responsibility and reporting of the department.
4. Keep under review the organisational structure and resource requirements of the Internal Audit Section and consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Internal Audit Manager. To approve and periodically review safeguards to limit such impairments.
5. Make appropriate enquiries of both Senior Accountable Officers and the Internal Audit Manager to determine if there are any inappropriate scope or resources limitations. Ensure that no management restrictions are placed in the scope of audit's examinations
6. Review, approve (but not direct) and monitor the delivery of the risk-based internal audit plan ~~and the risk assessment exercise on which the plan is based, the approach to using other sources of assurance and any work required to place reliance upon those other sources~~ and ensure ~~it~~ the plan considers changes arising from Government, Assembly or Council initiatives.
7. Approve significant interim changes to the risk based internal audit plan and resources requirements. (New)
- 7.8. Receive summaries of all internal audit reports issued, highlighting key ~~recommendations and recommendations of reports~~ actions with corporate control implications.

9. Consider reports from the Internal Audit Manager on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern including monitor the implementation of agreed actions contained within internal audit reports, receive report on actions not implemented within good timescales and seek explanations from officers where required.
- Regular reports on the results of the Quality Assurance Improvement Programme (QAIP); (New)
- Reports on instances where the internal audit service does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Governance Advice Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS. (New)

~~8. Monitor the implementation of agreed recommendations contained within internal audit reports, receive reports on recommendations not implemented within agreed timescales and seek explanations from officers where required.~~

9.10. Receive and consider the Internal Audit Managers annual report; and ensure that the annual opinion is reflected in the Annual Governance Statement

- The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit. (New)
- The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement (AGS). (New)
- Keep performance indicators under review and evaluate on an annual basis the performance and effectiveness of internal audit and its compliance with best practice.

11. Consider summaries of specific internal audit reports as requested. (New)

~~10. Keep performance indicators under review and evaluate on an annual basis the performance and effectiveness of internal audit and its compliance with best practice.~~

12. Receive reports outlining the action taken where the Internal Audit Manager has concluded that Senior Accountable Officers and service teams have accepted a level

of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions. (New)

13. Contribute to the Quality Assurance Improvement Programme (QAIP) and in particular, to the external quality assessment of internal audit that takes place at least once every five years. (New)

~~11.~~14. Meet separately with the Internal Audit Manager to discuss any matters that the Committee or internal auditors believe should be discussed privately.

~~12.~~15. Should the needs arise, a Arbitrate in the event of any failure to agree between a Director or Head of Service and internal audit.

~~13.~~16. Discuss with the external auditor the standard of work of internal audit ~~staff~~.

### External Audit and External Regulatory Bodies

#### External Audit

17. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence. (New)

~~14. Ensure that the annual audit is undertaken in compliance with statutory requirements.~~  
~~15.~~18. Review the external auditors' proposed audit scope and approach for the current year in the light of the Authority's present circumstances and changes in regulatory and other requirements arising from Government, Assembly or Council initiatives.

19. Ensure that the annual audit is undertaken in compliance with statutory requirements.

20. Receive all audit reports, and the annual audit letter, issued by the external auditor, and ensure that all agreed recommendations are implemented.

~~16.~~21. Consider specific reports as agreed with the external auditor. (New)

~~17.~~22. Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.

~~18.~~23. Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately. Ensure the auditors have access to the chair of the audit committee when required.

24. Review on an annual basis the performance of external audit and co-ordinate any feed back requested from the Wales Audit Office.

**External Regulation: Performance** *(New)*

25. External arrangements for regulation and assurance are provided by a number of statutorily appointed bodies such as the Wales Audit Office (WAO), Estyn and the Care Inspectorate Wales (CIW), plus a number of other external regulatory bodies. To examine how the organisation manages and spends public money including achieving value in delivery. This work is co-ordinated by the Chief Executive's Business and Communications team and a shared protocol for these working arrangements is in place.
26. To gain assurance and confidence of the Council's response to the external regulatory findings the Audit Committee will:
- a) Receive periodic reports from external regulators which will include the Council's response to the reports and ensure that effective processes are in place for setting and monitoring against proportionate and effective action plans.
  - a)b) Receive an annual report collating external regulatory activity on improvement assessment work which is supplemented by local risk based audit work; and

b)c) Receive the Annual Improvement Report from the Auditor General

**D. Financial Affairs**

~~Understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.~~

~~Gain an understanding of the current areas of greatest risk around financial controls and advise and assure on risk management.~~

~~Keep under review the Council's financial procedure rules and contract procedure rules and all other corporate directions concerning financial control.~~

~~Review and assure the Treasury Management Strategy and Policy and consider quarterly updates on Treasury Management and make appropriate recommendations / observations to the Cabinet.~~

**ED. Accountability Arrangements General**

1. Require the attendance at the Committee of any officer or member, or the submission of a report from any officer, to provide further explanation in connection with any of the above terms of reference.
2. Evaluate the Committee's own performance, both of individual members and collectively, on a regular basis.

3. The Committee must meet at least once a year and must also do so if the Council decides or if at least a third of the Committee's members require a meeting. Beyond those requirements the Committee can meet whenever it likes.
4. The Audit committee will keep the above terms of reference under annual review and propose any amendment to the County Council.
- 4.5. Report to full council and publish an annual report on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

## 7.02 ~~Form and~~ Composition

1. The Chair and Vice-Chair of the Audit Committee will be chosen by the Committee itself at its first meeting following each annual general meeting. The Chair and Vice Chair of the Audit Committee will be chosen from amongst the opposition group(s), non aligned Councillors or lay member on the Council (that is to say from amongst the group(s) none of whose members are included in the Cabinet).
- 4.2. The County Council shall appoint one person who is neither a serving Councillor nor an officer of the County Council or any other Council to serve as a lay member of the Committee with full voting rights. The lay member's term of office shall be from the first County Council meeting following the annual general meeting following the County Council elections until the first County Council meeting after the annual general meeting following the next County Council elections. No more than one member of the Committee shall be on the Council's Cabinet. The Council Leader cannot be a member of the Committee.
- 2.3. It is the express wish of the Council that there should be continuity of membership of the Audit Committee so as to build up a body of expertise and maintain a consistency of approach.
- 3.4. In recognising the express wish of the Council, but observing the requirements of the legislation for political balance, the Audit Committee will comprise seven Members with the seats allocated in accordance with the legislation to the appropriate political groups and one lay member. Any proposed substitution shall comply with Council Procedure Rule 22.4 and the proposed substitute shall have attended relevant training. Substitutes will only be permitted where the Audit Committee at the commencement of its meeting agrees that good reasons exist for substitution.
- 4.5. Members will receive induction training on appointment to the Committee. Ongoing training will be provided as necessary to meet the requirements of the Committee, based on the skills and experience of the members.
- 5.6. The business of the Committee shall be conducted apolitically.

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# AUDIT COMMITTEE

## Terms of Reference

DRAFT v6 – November 2018 – Without Tracked Changes

## Article 7 - The Audit Committee

### 7.00 Statement of Purpose:

The terms of reference sets out the Audit Committee's position in the governance structure of the Council.

The Audit Committee is a key component of Flintshire County Council's (the Council's) corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

### 7.01 Role:

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

- A.** Review the effectiveness of the Authority's systems of corporate governance, internal control and risk management systems, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements;
- B.** Oversee the reporting of the statutory financial statement's process to ensure the balance, transparency and integrity of published financial information, and to review the financial statements prepared by the authority and recommend them to County Council; and

Review and scrutinise the County Council's financial affairs, and to make reports and recommendations on them. The role of the Committee is to assure the budgetary control systems of the Council rather than the scrutiny of the use and value for money of expenditure which is the role of the respective Overview and Scrutiny Committees.

- C.** Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.
- D.** Report to the Council annually, summarising the Committee's activities and recommendations.

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**A. Corporate Governance, Risk Management and Internal Control**

1. Evaluate whether Senior Accountable Officers and service teams are setting the appropriate “control culture” by communicating the importance of internal control and risk management.
2. Consider and assure the annual update of the Code of Corporate Governance against the ‘Delivering Good Governance Framework (Wales)’.
3. Consider and assure the draft Annual Governance Statement and make appropriate recommendations/observations prior to its submission to the Council’s Regulators.
4. Evaluate the overall effective development and operation of the internal control and risk management frameworks and consider whether actions raised by the internal and external auditors have been implemented by Senior Accountable Officers.
5. Review and assure the Risk Management Strategy through regular reports on risk management and business continuity plans, processes and outcomes.
6. Monitor progress in addressing risk related issues reported to the Committee.
7. Consider the Council’s framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
8. Keep under review the Council’s Anti-Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy and the assessment of fraud risks and potential harm to the Council from Fraud and Corruption.
9. Consider the Council’s arrangements to secure value for money and review assurances and assessment on the effectiveness of these arrangements.
10. Receive reports on all fraud identified and any other special investigations, and action taken.
11. Consider how Senior Accountable Officers are held to account for the security of computer systems and applications to protect against computer fraud or misuse.
12. Ensure the rigorous application of the agreed protocol for the reporting and decision making over business cases for collaborative projects, the management of the transition for approved collaborations, and the subsequent performance management arrangements for the new collaborative services.
13. Obtain regular updates from Senior Accountable Officers and legal advice regarding compliance matters, and be satisfied that all compliance matters have been considered in preparing the financial statements.

14. The Chair and Vice Chair of the Audit Committee together with the Chairs and Vice Chairs of the six Overview and Scrutiny Committees will attend the Chair and Vice Chair Liaison Group with the primary aim to reduce duplication of work, ensure there is a shared coverage of the Council's risk profile and escalate poor performance between respective Committees.

Appendix A of the Audit Charter provides a diagram of the co-ordination of work between the Overview and Scrutiny Committees and Audit Committee.

## **B. Financial:**

### **Statutory Financial Statements**

1. Receive the draft annual Statement of Accounts, together with the underlying accounting policies for information. Consider and comment on the final statement of accounts following the receipt of the proposed audit opinion from the Wales Audit Office prior to recommending their approval to the Council.
2. Understand the controls and processes implemented by Senior Accountable Officers to ensure the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate review.
3. Meet with management and external auditors to review the financial statements, the key accounting policies and judgements, significant accounting and reporting issues and their impact on financial reports, and the results of the audit.
4. Ensure that significant adjustments, unadjusted differences, disagreements with Senior Accountable Officers and critical accounting policies and practice are discussed with the external auditor.

### **Financial Affairs**

5. Understand the internal control systems implemented by Senior Accountable Officers and service team for the approval of transactions and the recording and processing of financial data.
6. Gain an understanding of the current areas of greatest risk around financial controls and advise and assure on risk management.
7. Keep under review the Council's financial procedure rules and contract procedure rules and all other corporate directions concerning financial control.

8. Review and assure the Treasury Management Strategy and Policy and consider quarterly updates on Treasury Management and make appropriate recommendations / observations to the Cabinet.

### C. Internal and External Audit

1. Keep under review the joint working arrangements of the Council's Internal and External Auditors.

#### Internal Audit

2. Promote the role of internal audit within the Council, as a key element of its control environment.
3. Review and approve the Internal Audit Charter, outlining the role, scope, independence, authority, responsibility and reporting of the department.
4. Keep under review the organisational structure and resource requirements of the Internal Audit Section and consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Internal Audit Manager. To approve and periodically review safeguards to limit such impairments.
5. Make appropriate enquiries of both Senior Accountable Officers and the Internal Audit Manager to determine if there are any inappropriate scope or resources limitations.
6. Review, approve (but not direct) and monitor the delivery of the risk-based internal audit plan, the approach to using other sources of assurance and any work required to place reliance upon those other sources and ensure the plan considers changes arising from Government, Assembly or Council initiatives.
7. Approve significant interim changes to the risk based internal audit plan and resources requirements. *(New)*
8. Receive summaries of all internal audit reports issued, highlighting key actions with corporate control implications.
9. Consider reports from the Internal Audit Manager on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - Updates on the work of internal audit including key findings, issues of concern including monitoring the implementation of agreed actions contained within

internal audit reports, receive report on actions not implemented within good timescales and seek explanations from officers where required.

- Regular reports on the results of the Quality Assurance Improvement Programme (QAIP); *(New)*
- Reports on instances where the internal audit service does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Governance Advice Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS. *(New)*

10. Receive and consider the Internal Audit Managers annual report:

- The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit. *(New)*
- The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement (AGS). *(New)*
- Keep performance indicators under review and evaluate, on an annual basis, the performance and effectiveness of internal audit and its compliance with best practice.

11. Consider summaries of specific internal audit reports as requested. *(New)*

12. Receive reports outlining the action taken where the Internal Audit Manager has concluded that Senior Accountable Officers and service teams have accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions. *(New)*

13. Contribute to the Quality Assurance Improvement Programme (QAIP) and in particular, to the external quality assessment of internal audit that takes place at least once every five years. *(New)*

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

15. Should the needs arise, arbitrate in the event of any failure to agree between a Senior Accountable Officers and internal audit.

16. Discuss with the external auditor the standard of work of internal audit.

### External Audit and External Regulatory Bodies

#### External Audit

17. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence. *(New)*
18. Review the external auditors' proposed audit scope and approach for the current year in the light of the Authority's present circumstances and changes in regulatory and other requirements arising from Government, Assembly or Council initiatives.
19. Ensure that the annual audit is undertaken in compliance with statutory requirements.
20. Receive all audit reports, and the annual audit letter, issued by the external auditor, and ensure that all agreed recommendations are implemented.
21. Consider specific reports as agreed with the external auditor. *(New)*
22. Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
23. Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately. Ensure the auditors have access to the chair of the audit committee when required.
24. Review, annually, the performance of external audit and co-ordinate any feed back requested from the Wales Audit Office.

#### External Regulation: Performance *(New)*

25. External arrangements for regulation and assurance are provided by a number of statutorily appointed bodies such as the Wales Audit Office (WAO), Estyn and the Care Inspectorate Wales (CIW), plus a number of other external regulatory bodies. To examine how the organisation manages and spends public money including achieving value in delivery. This work is co-ordinated by the Chief Executive's Business and Communications team and a shared protocol for these working arrangements is in place.
26. To gain assurance and confidence of the Council's response to the external regulatory findings the Audit Committee will:

- 
- a) Receive periodic reports from external regulators which will include the Council's response to the reports and ensure that effective processes are in place for setting and monitoring against proportionate and effective action plans.
  - b) Receive an annual report collating external regulatory activity on improvement assessment work which is supplemented by local risk based audit work; and
  - c) Receive the Annual Improvement Report from the Auditor General

#### **D. Accountability Arrangements**

1. Require the attendance at the Committee of any officer or member, or the submission of a report from any officer, to provide further explanation in connection with any of the above terms of reference.
2. Evaluate the Committee's own performance, both of individual members and collectively, on a regular basis.
3. The Committee must meet at least once a year and must also do so if the Council decides or if at least a third of the Committee's members require a meeting. Beyond those requirements the Committee can meet whenever it likes.
4. The Audit committee will keep the above terms of reference under annual review and propose any amendment to the County Council.
5. Report to full council and publish an annual report on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

#### **7.02 Composition**

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



3. It is the express wish of the Council that there should be continuity of membership of the Audit Committee so as to build up a body of expertise and maintain a consistency of approach.
4. In recognising the express wish of the Council, but observing the requirements of the legislation for political balance, the Audit Committee will comprise seven Members with the seats allocated in accordance with the legislation to the appropriate political groups and one lay member. Any proposed substitution shall comply with Council Procedure Rule 22.4 and the proposed substitute shall have attended relevant training. Substitutes will only be permitted where the Audit Committee, at the commencement of its meeting, agrees that good reasons exist for substitution.
5. Members will receive induction training on appointment to the Committee. Ongoing training will be provided as necessary to meet the requirements of the Committee, based on the skills and experience of the members.
6. The business of the Committee shall be conducted apolitically.

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# AUDIT COMMITTEE

Charter

**DRAFT – v6 – November 2018**

## Organisational Principles

### 1. Introduction

- 1.1 The Audit Committee plays an important role in providing independent oversight of Flintshire County Council's (the Council's) governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices.

### 2. Background

- 2.1 The current Audit Committee was established in May 2017. The charter for the Committee was established in November 2018 with the purpose to govern the work of the Committee. The charter will be reviewed and updated annually.

### 3. Purpose

- 3.1 The purpose of the Audit Committee is to provide a structured, systematic independent oversight of the Council's governance, risk management, and internal control practices. The Committee assists the Council and Senior Accountable Officers by providing advice and guidance on the adequacy of the Council's initiatives for:
- a) Governance structure;
  - b) Risk management;
  - c) Internal control framework;
  - d) Oversight of the internal audit activity, external auditors, and other external assurance providers; and
  - e) Financial statements and public accountability reporting.
- 3.2 In broad terms, the Audit Committee reviews each of the items noted above and provides the Council with independent advice and guidance regarding the adequacy and effectiveness of Council's practices and potential improvements to those practices.

### 4. Mandate

- 4.1 The mandate for the establishment of the Audit Committee was derived from the Council at the Annual Meeting in 2002.

## 5. Authority

- 5.1 The Audit Committee charter sets out the authority of the Committee to carry out the responsibilities established for it by the Council as articulated within the Audit Committee charter.
- 5.2 In discharging its responsibilities, the Audit Committee will have unrestricted access to Senior Accountable Officers, service teams, workforce, and relevant information it considers necessary to discharge its duties.
- 5.3 The Committee will also have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Audit Committee and/or Internal Audit Manager will follow a prescribed, Council approved mechanism to resolve the matter.
- 5.4 The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Council's Senior Accountable Officers and workforce should co-operate with Audit Committee requests.
- 5.5 The Audit Committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.
- 5.6 The Audit Committee is empowered to:
  - a) Resolve any disagreements between Senior Accountable Officers and the auditor regarding financial reporting and other matters; and
  - b) Pre-approve all auditing and non-audit services performed by auditors.

## 6. Composition of the Audit Committee

- 6.1 The Committee will consist of eight members; at least one lay member that is independent of the Council. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk and control. As the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the Committee in response to emerging needs. This would be completed as part of the Audit Committee's annual self-assessment.

## **7. The Chair of the Audit Committee**

- 7.1 The Audit Committee appoints its own chair; nominations for Audit Committee membership are made by the political groups on the Council. The Local Government (Wales) Measure 2011 states that the chair cannot be a member of a group represented on the Cabinet.

## **8. Terms of Office**

- 8.1 The term of office for an Audit Committee member is four years.
- 8.2 Continuance of Audit Committee members will be reviewed annually. To ensure continuity within the Audit Committee, the appointment of members should be staggered (where appropriate).

## **9. Quorum**

- 9.1 The quorum for the Audit Committee will be three members.

## **10. Audit Committee Values**

- 10.1 The Audit Committee will conduct itself in accordance with the code of values and ethics of the Council. The Audit Committee expects that Senior Accountable Officers, service teams and the workforce of the Council will adhere to these requirements.

## **11. Communications**

- 11.1 The Audit Committee expects that all communication with Senior Accountable Officers, service teams, workforce of the Council as well as with any external assurance providers will be direct, open and complete.

## **12. Work Programme**

- 12.1 The Audit Committee chair will collaborate with Senior Accountable Officers and the Internal Audit Manager to establish a work plan to ensure that the responsibilities of the Audit Committee are scheduled and will be carried out.

## **13. Meeting Agenda**

- 13.1 The Committee establishes the agendas for Audit Committee meetings through the forward work programme and in consultation with Senior Accountable Officers and the Internal Audit Manager.

## **14. Information Requirements**

- 14.1 The Audit Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the Audit Committee at least one week prior to each Audit Committee meeting.

## **15. Executive Sessions**

- 15.1 The Audit Committee will schedule and hold if necessary, a private session with the Chief Executive, the Corporate Finance Manager (the designated Chief Financial Officer (CFO)), the Internal Audit Manager, external assurance providers, and with any other officials that the Audit Committee may deem appropriate at each of its meetings.

## **16. Preparation and Attendance**

- 16.1 Audit Committee members are obliged to prepare for and participate in committee meetings.

## **17. Conflict(s) of Interest**

- 17.1 Audit Committee members should adhere to the Council's Code of Conduct and any values and ethics established by the Council. It is the responsibility of Audit Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee. If there is any question as to whether Audit Committee member(s) should recuse themselves from a vote, the Committee should vote to determine whether the member should recuse himself or herself.

## **18. Training**

- 18.1 Audit Committee members will receive formal training on the purpose and mandate of the Committee and on the Council's objectives. Further training needs will be identified by the Audit Committee during committee meetings and as part of their annual self-assessment.

## **19. Meetings**

- 19.1 The Audit Committee will meet at least five times annually or more frequently as the Committee deems necessary. The time frame between Audit Committee meetings should not exceed four months.

## **20. Minutes**

- 20.1 Meeting minutes will be provided in draft format at least two weeks after the Audit Committee meeting.

## **21. Attendance**

- 21.1 Where possible, the Internal Audit Manager, Chief Officer for Governance and Council Monitoring Officer, and Chief Executive will attend Audit Committee meetings.

## **22. Meeting Facilitation and Co-ordination**

- 22.1 Committee Services will facilitate and co-ordinate meetings as well as provide ancillary support to the Committee, as time and resources permit.

## **23. Remuneration of Committee Members**

- 23.1 Committee members may claim reimbursement for travel. Full details can be found in the Members' Allowances policy.
- 23.2 Payment rates and allowances for co-opted committee members' time and/or services are established formally in accordance with the Independent Remuneration Panel for Wales (IRPW).

## **24. Organisational Governance**

- 24.1 To obtain reasonable assurance regarding the Council's governance process, the Audit Committee will review and provide advice on the governance process established and maintained within the Council and the procedures in place to ensure that they are operating as intended.



## 25. Risk Management

- 25.1 To obtain reasonable assurance and confidence of the Council's risk management practices, the Audit Committee will:
- a) Annually review the Council's risk profile;
  - b) Obtain from the Internal Audit Manager an annual report on the implementation and maintenance of a risk management process;
  - c) Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Senior Accountable Officers and the Council;
  - d) Provide oversight of the adequacy of the combined assurance being provided; and
  - e) Receive and assure the Risk Management Strategy through regular reports on risk management, processes, procedures and outcomes.

## 26. Fraud

- 26.1 Obtain reasonable assurance and confidence of the Council's procedures for the prevention and detection of fraud, the Audit Committee will:
- a) Oversee the Council's arrangements for the prevention and deterrence of fraud; and
  - b) Challenge Senior Accountable Officers and internal and external auditors to ensure that the Council has appropriate anti-fraud programmes and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

## 27. Control

- 27.1 Obtain reasonable assurance and confidence over the adequacy and effectiveness of the Council's controls in responding to risks within the Council's governance, operations and information systems, the Audit Committee will:
- a) Consider the effectiveness of the Council's control framework, including information technology security and control;
  - b) Receive reports on all matters of significance arising from work performed by other assurance providers of financial and internal control assurance.

## 28. Compliance

28.1 The Audit Committee will:

- a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of investigation and follow-up of any instances of non-compliance;
- b) Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies;
- c) Review the process for communicating the Code of Conduct to the Council's personnel and for monitoring compliance; and
- d) Obtain regular updates from Senior Accountable Officers and the Council's legal counsel regarding compliance matters.

## Oversight of Assurance Providers

### 29. Internal Audit Activity

29.1 To obtain reasonable assurance regarding the work of internal audit, the Audit Committee will oversee the internal audit charter and resources. In particular:

- a) Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of the IIA's International Professional Practices Framework, namely the Public Sector Internal Audit Standards (PSIAS) and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the Council and reflects developments in the professional practice of internal auditing; and
- b) Advise the Council about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or for an interim period.

### 29.2 Internal Audit Manager's Performance

- a) The Chair of the Audit Committee is involved in the recruitment and appointment of the Internal Audit Manager; and

- b) Provide input into the performance evaluation of the Internal Audit Manager.

## 29.3 Internal Audit Strategy and Plan

- a) Review and provide input, but not direct, on the internal audit activity's strategic risk-based plan, objectives, performance measures and outcomes; and
- b) Review the internal audit activity's performance relative to the audit plan.

## 29.4 Internal Audit Engagement and Follow Up

- a) Review internal audit reports and other communications to Senior Accountable Officers and service teams;
- b) Review and track Senior Accountable Officers action plans to address the results of internal audit engagements;
- c) Review and advise Senior Accountable Officers and service teams on the results of any special investigations;
- d) Confirm with the Internal Audit Manager whether any internal audit engagements or non-audit engagements have been completed but not reported to the Committee; if so, inquire whether any matters of significance arose from such work; and
- e) Confirm with the Internal Audit Manager whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

## 29.5 Expectations of Responsibilities.

There is an expectation of the Senior Accountable Officers and service teams to work with speed and support in responding to Internal Audit reports, working on and following an annual shared work programme and responding to ad hoc work of the Committee.

## 29.6 Standards Conformance

- a) Inquire of the Internal Audit Manager about steps taken to ensure that the internal audit activity conforms with the IIA's International Standards for the Professional Practice of Internal Auditing (Standards), namely the Public Sector Internal Audit Standards (PSIAS);
- b) Ensure that the internal audit has a quality assurance and improvement programme and that the results of these periodic assessments are presented to the Audit Committee;

- c) Ensure that the internal audit has an external quality assurance review every five years;
- d) Review the results of the independent and external quality assurance review and monitor the implementation of the internal audit action plans to address any recommendations; and
- e) Advise the Council about any recommendations for the continuous improvement of the internal audit service.

## 30. External Auditors and other Regulatory Bodies

### External Audit – Financial Assurance:

- 30.1 Obtain reasonable assurance of the work of the external assurance providers, the Audit Committee will meet with the external assurance body, currently Wales Audit Office, during the planning phase, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for Senior Accountable Officers and service teams.
- 30.2 The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.
- 30.3 The Audit Committee will:
  - a) Review the external auditors' proposed audit scope and approach, including co-ordination of audit effort with the internal audit service;
  - b) Obtain statements from the external auditors about their relationships with the Council, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence;
  - c) Where relevant, hold periodic private meetings with external auditors to discuss any sensitive matters;
  - d) Monitor Senior Accountable Officers and service teams progress on action plans; and
  - e) Obtain reasonable assurance that Senior Accountable Officers and service teams have acted on the results and recommendations of internal and external audit, the Audit Committee will regularly review reports on the progress of implementing approved action plans and audit recommendations resulting from completed audits.

## **External Regulation – Performance Assurance:**

- 30.4 External arrangements for regulation and assurance are provided by a number of statutorily appointed bodies such as the Wales Audit Office (WAO), Estyn and the Care Inspectorate Wales (CIW), plus a number of other external regulatory bodies. To examine how the organisation manages and spends public money including achieving value in delivery.
- 30.5 Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.
- 30.6 This work is co-ordinated by the Chief Executive's Business and Communications team and a shared protocol for these working arrangements is in place.
- 30.7 To gain assurance and confidence of the Council's response to the external regulatory findings the Audit Committee will:
- a) Receive periodic reports from external regulators which will include the Council's response to the reports;
  - b) Receive an annual report collating external regulatory activity on improvement assessment work which is supplemented by local risk based audit work; and
  - c) Receive the Annual Improvement Report from the Auditor General.

## **31 Financial Statements and Public Accountability Reporting**

- 31.1 The Audit Committee is responsible for oversight of the independent audit of the Council's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, and regulatory compliance.
- 31.2 The Audit Committee will:
- a) Review with Senior Accountable Officers and the external auditors the results of audit engagements, including any difficulties encountered;
  - b) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;

- c) Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
- d) Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released;
- e) Review with Senior Accountable Officers and the external auditors all matters required to be communicated to the Audit Committee under generally accepted external auditing standards;
- f) Understand the strategies, assumptions and estimates Senior Accountable Officers and service teams have made in preparing financial statements, budgets, and investment plans;
- g) Understand how Senior Accountable Officers and service teams develop interim financial information and the nature and extent of internal and external auditor involvement in the process;
- h) Review interim financial reports with Senior Accountable Officers and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members; and
- i) Review the Council's Treasury Management policy and receive regular updates on the Council's performance.

## 32 Other Responsibilities

32.1 In addition, the Audit Committee will:

- a) Perform other activities related to this charter as requested by the Council;
- b) Institute and oversee special investigations as needed; and
- c) Regularly evaluate its performance and that of its individual members through an annual self-assessment.

32.2 The Chair and Vice Chair of the Audit Committee will be a member of the Chair and Vice Chair Liaison Group with the primary objective to:

- a) Review the work programme to ensure duplication is kept to a minimum
- b) Review the Council's risk profile to ensure shared covered.

- c) Escalate poor performance between committees for consideration and future monitoring.

Appendix A of the Charter provides a diagram of the co-ordination of work between the Overview and Scrutiny and Audit Committees.

## **33 Reporting on Audit Committee Performance**

33.1 The Audit Committee will report to the Council annually, summarising the Committee's activities and recommendations. The report may be delivered during an Audit Committee meeting attended by the Chair of the Council or during a regularly scheduled meeting of the Council.

33.2 The report should also include:

- a) A summary of the work the Audit Committee performed to fully discharge its responsibilities during the preceding year;
- b) A summary of Senior Accountable Officers and service teams progress in addressing the results of internal and external audit reports;
- c) An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing organisation;
- d) Details of meetings including the number of meetings held during the relevant period and the number of meetings each member attended;
- e) Provide information required, if any, by new or emerging corporate governance developments; and
- f) The Committee may report to the Council at any time regarding any other matter it deems of sufficient importance.

# Flintshire Audit Committee – Charter – DRAFT

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## 34 Approval / Signatures:

Chairman of the Council: \_\_\_\_\_ Date: \_\_\_\_\_

Chief Executive: \_\_\_\_\_ Date: \_\_\_\_\_

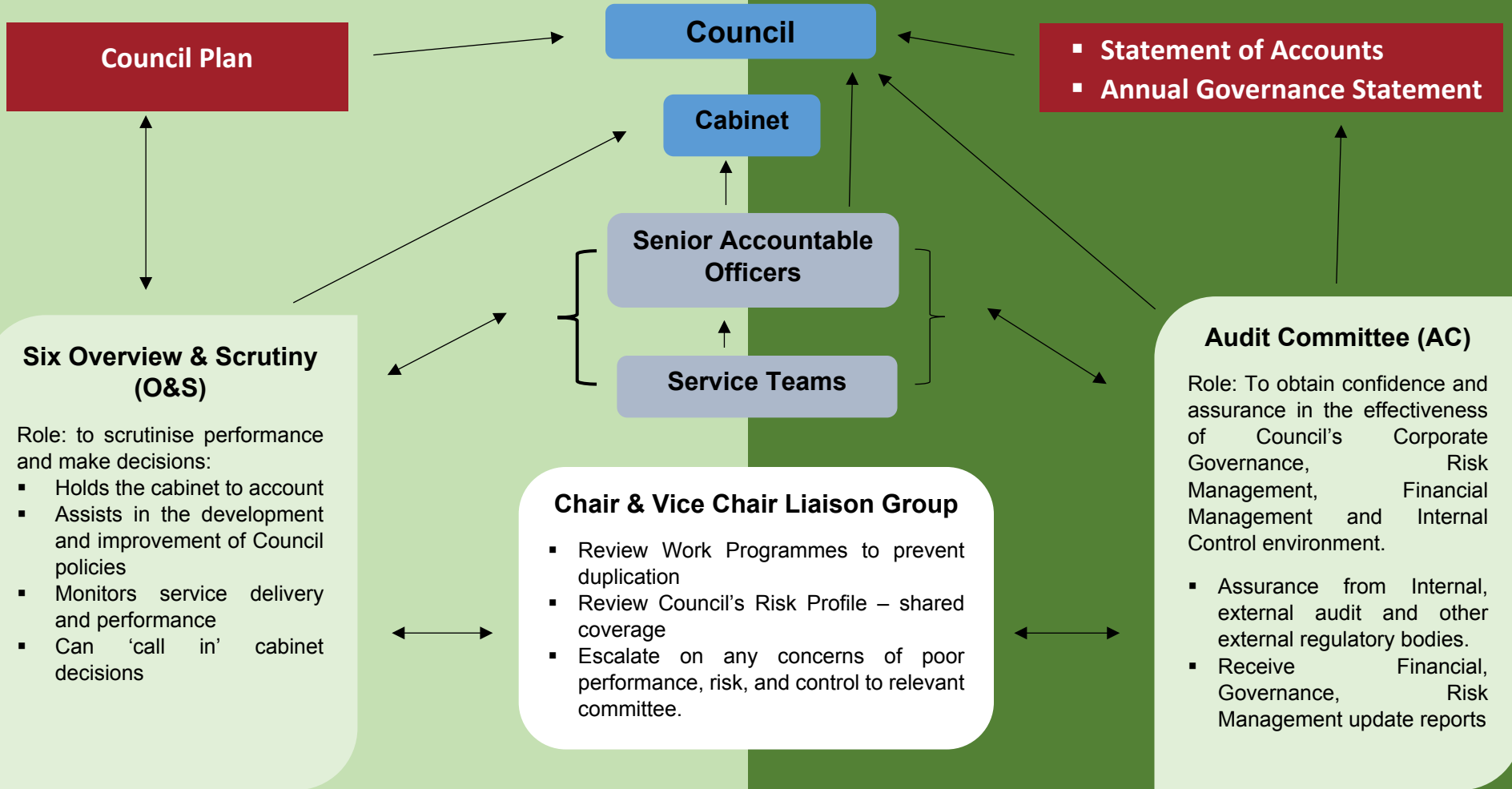
Chair of Audit Committee: \_\_\_\_\_ Date: \_\_\_\_\_



**Co-ordination of Work : Audit Committee and Overview & Scrutiny Functions**

**Operational (Scrutiny)**

**Assurance (Regulatory)**



Page 233

**Six Overview & Scrutiny (O&S)**

Role: to scrutinise performance and make decisions:

- Holds the cabinet to account
- Assists in the development and improvement of Council policies
- Monitors service delivery and performance
- Can 'call in' cabinet decisions

**Chair & Vice Chair Liaison Group**

- Review Work Programmes to prevent duplication
- Review Council's Risk Profile – shared coverage
- Escalate on any concerns of poor performance, risk, and control to relevant committee.

**Audit Committee (AC)**

Role: To obtain confidence and assurance in the effectiveness of Council's Corporate Governance, Risk Management, Financial Management and Internal Control environment.

- Assurance from Internal, external audit and other external regulatory bodies.
- Receive Financial, Governance, Risk Management update reports

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 21 November 2018
<b>Report Subject</b>	Action Tracking
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

The report shows the action points from previous Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

### RECOMMENDATIONS

1	The Committee is requested to accept the report.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE ACTION TRACKING REPORT</b>
1.01	In previous meetings, requests for information, reports or actions 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.  Full action tracking details within Appendix A.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Action owners contacted to provide an update on their actions.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None as a result of this report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Action Points.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager <b>Telephone:</b> 01352 702231 <b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	None.

**AUDIT COMMITTEE - ACTION SHEET**Presented Wednesday, 21<sup>st</sup> November 2018

21 <sup>st</sup> March 2018				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
61	PSIAS	To schedule the updated Anti-Fraud & Corruption Strategy to a future meeting.	Lisa Brownbill	Anti-Fraud and Corruption Strategy to be reviewed and presented at a future meeting.
61	PSIAS	To arrange for a half-day workshop to assist the Committee in the completion of self-assessment questionnaires and to review the Forward Work Programme.	Lisa Brownbill	The facilitation workshop took place on 28 <sup>th</sup> September. Reports on the AC self-assessment and revised Terms of Reference and Charter are included within the Audit Committee papers for November 2018 meeting.
63	Action Tracking	Report on control issues to be scheduled for a future meeting.	Lisa Brownbill	To be included as part of the annual report summarising areas of control issues for the year.

11 <sup>st</sup> July 2018				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
17	Draft Clwyd Pension Fund Accounts 2017/18	To schedule a future report and presentation on governance of the Clwyd Pension Fund.	Phil Latham	Included within the forward work plan for 21 <sup>st</sup> November 2018.

12<sup>th</sup> September 2018

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
23	School Reserve Balances Year Ending 31/03/18	That a deteriorating deficit position on school balances be recorded as a live ongoing corporate risk in the Medium Term Financial Strategy.	Gary Ferguson	This risk is now reflected in the monthly budget monitoring report to Cabinet and Scrutiny Committee.



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 21 November 2018
<b>Report Subject</b>	Forward Work Programme
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

The Audit Committee presents an opportunity for Members to determine the Forward Work programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme, Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix A for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for Audit Committee.

### RECOMMENDATION

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE FORWARD WORK PROGRAMME</b>
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.
1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"><li>1. Will the review contribute to the Council's priorities and/or objectives?</li><li>2. Is it an area of major change or risk?</li><li>3. Are there issues of concern in governance, risk management or internal control?</li><li>4. Is it relevant to the financial statements or financial affairs of the Council?</li><li>5. Is there new government guidance or legislation?</li><li>6. Is it prompted by the work carried out by Regulators/Internal Audit?</li></ol>
1.03	<p>Since the Audit Committee in September and following the Audit Committee Facilitation Workshop, two additional items have been included in the draft Forward Work Programme for November.</p> <ul style="list-style-type: none"><li>• The first report on General Data Protection Regulations (GDPR) is to provide a detailed update to committee and support Appendix D of the Internal Audit Progress Report where following an audit on GDPR a Red/Limited assurance was given.</li><li>• The second paper is to consider the revised Terms of Reference and Charter of the Audit Committee.</li></ul> <p>Appendix A details the draft Forward Work Programme.</p>
1.04	One paper, the Annual Report on External Assurance has been requested to defer until January's committee meeting. This will allow consideration of the Council's responses to the National recommendations report. Both the Chair and Vice Chair were consulted on the movement within the Forward Work Programme.
<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.



<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Publication of this report constitutes consultation.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None as a result of this report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A - Draft Forward Work Programme

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill Internal Audit Manager</p> <p><b>Telephone:</b> 01352 702231</p> <p><b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
	<p><b><u>WAO, Wales Audit Office</u></b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that the public bodies in Wales understand how to improve outcomes.</p> <p><b><u>PSIAS, Public Sector Internal Audit Requirements</u></b> A set of standards that all Internal Audit teams working in the public sector must comply with.</p>

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**AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2018/19**Presented to Committee - Wednesday, 21<sup>st</sup> November 2018

Meeting Date	Agenda Item	Author
<b>21<sup>st</sup> November 2018</b>	Annual Improvement Report 2017/18 (WAO)	Karen Armstrong / WAO
	Asset Disposals and Capital Receipts	Neal Cockerton
	Treasury Management 2018/19 – Mid Year Report	Gary Ferguson / Paul Vaughan
	Use of Consultancy Report	Colin Everett
	Clwyd Pension Fund Governance Arrangements	Phil Latham
	General Data Protection Regulations (GDPR) Audit Report	Gareth Owens
	Audit Committee Self-Assessment	Lisa Brownbill
	Audit Committee Terms of Reference & Charter	Lisa Brownbill
	Internal Audit Progress Report 2018/19	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill

Meeting Date	Agenda Item	Author
<b>30<sup>th</sup> January 2019</b>	Treasury Management 2018/19 Q3 Update and 2019/20 Strategy	Paul Vaughan
	Asset Disposals and Capital Receipts	Neal Cockerton
	Risk Management update	Karen Armstrong
	Code of Corporate Governance	Karen Armstrong
	Annual Report on External Inspections 2018/19	Karen Armstrong
	Contract Management	Gareth Owens
	Annual Audit Letter	Gary Ferguson / Paul Vaughan
	Anti-Fraud & Corruption Strategy, Fraud Response Plan and Whistleblowing Policy	Lisa Brownbill
	Internal Audit Progress Report 2018/19	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
<b>27<sup>th</sup> March 2019</b>	Treasury Management 2018/19 Q4 Update	Paul Vaughan
	Audit Plan (WAO)	WAO
	Certification of Grants and Returns Report (WAO)	Gary Ferguson
	Internal Audit Strategic Plan 2019/2022	Lisa Brownbill

Meeting Date	Agenda Item	Author
	Audit Committee Self-Assessment 2018/19 Public Sector Internal Audit Standards Compliance 2018/19 Internal Audit Progress Report 2018/19 Audit Committee Action Tracking Forward Work Programme Private Meeting (WAO and Internal Audit)	Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
<b>5<sup>th</sup> June 2019</b>	Draft Annual Governance Statement Annual Improvement Report (WAO) (2018/19) Annual Report on External Inspections (2018/19) Internal Audit Annual Report Internal Audit Progress Report 2019/20 Audit Committee Action Tracking Forward Work Programme	Karen Armstrong Karen Armstrong Karen Armstrong Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
<b>10<sup>th</sup> July 2019</b>	Treasury Management 2019/20 Q1 Update and Annual Report 2018/19 Supplementary Financial Information to Draft Statement of Accounts 2018/19	Paul Vaughan Paul Vaughan

Meeting Date	Agenda Item	Author
	Risk Management update 2019/20	Karen Armstrong
<b>September 2019</b>	School Reserves – Annual Report on School Balances Statement of Accounts 2018/19 Risk Management Update 2019/20 Internal Audit Progress Report Audit Committee Action Tracking Forward Work Programme	Clare Homard / Lucy Morris Gary Ferguson Karen Armstrong Lisa Brownbill Lisa Brownbill Lisa Brownbill
<b>November 2019</b>	Asset Disposals and Capital Receipts Treasury Management 2019/20 – Mid Year Report Financial Procedural Rules (Biennial) Use of Consultancy Report Internal Audit Progress Report 2018/19 Audit Committee Action Tracking Forward Work Programme	Neal Cockerton Paul Vaughan Sara Dulson Colin Everett Lisa Brownbill Lisa Brownbill Lisa Brownbill