

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**               **MONDAY, 7 OCTOBER 2013**

**REPORT BY:**       **HEAD OF FINANCE**

**SUBJECT:**           **IMPLEMENTATION OF FINANCE AUDIT  
RECOMMENDATIONS**

### **1.00 PURPOSE OF REPORT**

- 1.01 To provide Members with information regarding outstanding audit recommendations relating to Finance and how any risks are being managed prior to implementation.

### **2.00 BACKGROUND**

- 2.01 At the Audit Committee on 12<sup>th</sup> June 2013, during discussion about the implementation of audit recommendations, the Head of Finance gave a brief verbal update on the outstanding recommendations relating to Finance. It was resolved that the Head of Finance be invited to respond to outstanding recommendations at a future meeting.

### **3.00 CONSIDERATIONS**

- 3.01 The current position regarding the implementation of recommendations for internal audit reports in relation to Finance is summarised in Appendix 1.

- 3.02 It can be seen that there are seven reports, with a combined total of 27 outstanding recommendations, which are beyond the originally agreed implementation date:

#### **Medium Term Financial Strategy (2 reports)**

- 1 Fundamental and 5 significant recommendations

#### **Capital Strategy and Programme**

- 12 significant recommendations

#### **Main Accounting**

- 2 significant recommendations

#### **Financial Systems**

- 2 significant recommendations

#### **Enforcement**

- 2 significant recommendations

#### **Housing Benefits**

- 3 significant recommendations

- 3.03 The recommendations made in each of the reports are replicated in Appendix 2.
- 3.04 The revised implementation dates for the recommendations from these audits are from September 2013 to March 2014.
- 3.05 A report on Corporate Grants, which was issued in June this year, has an agreed implementation date of March 2014.
- 3.06 The information below identifies how any risks are being managed prior to implementation.

### **Medium Term Financial Strategy**

- 3.07 **Audit recommendations** - the audit recommendations are related to the breadth of the documented Medium Term Financial Strategy (MTFS) to incorporate the Council's priorities and capital strategy and to reflect plans which are joint with other organisations. The fundamental recommendation is in relation to the use of trend and sensitivity analysis in financial planning
- 3.08 **Reasons for the delay** – the last published version of the MTFS was produced in June 2011. The next planned publication is scheduled to be alongside the 2014/15 budget. In the meantime, the issues referred to in relation to council priorities and trend / sensitivity analysis are fully incorporated within the Medium Term Financial Plan (MTFP) which is updated on an ongoing basis.
- 3.09 **Management of Risk** – the financial strategy is under constant review as the Council addresses the significant challenges being experienced from the restrictions in UK and WG funding and to ensure that it supports the delivery of organisational plans and priorities. In practice, the use of trend and sensitivity analysis is a central feature to budget forecasts in the short and medium term and also to in year budget monitoring. The Medium Term Financial Plan is kept up to date on a continuous basis and uses trend and sensitivity analysis e.g. client numbers, population growth etc. in making budget. Following the setting of the 2013/14 budget, there was a further revision of the Medium Term Financial Plan (MTFP) in May 2013 and a further update will be reported in October. Both of these revisions make full reference to the Council's key priorities. The links with the capital programme and the developing capital strategy are described in 3.10 to 3.12 below

## **Capital Strategy and Programme**

- 3.10 **Audit recommendations** – the audit recommendations are in relation to the Council developing and formally adopting a capital strategy which considers all aspects for capital expenditure and which is an overarching and comprehensive planning document and with a range of recommendations which flow from and are connected with the capital strategy.
- 3.11 **Reason for delay** - since the audit report was completed in January 2012, it has been recognised that a much wider approach is needed to the development of the capital strategy. The pressure on capital resources has tightened considerably. The Improvement Plan agreed in June 2013, sets out the background for the capital strategy. Work has commenced over the summer on a programme of work which will be a fundamental review of assets and capital programme management. The revised date for production of the strategy of March 2014 reflects the revised approach to be adopted.
- 3.12 **Management of risk** - the capital programme for 2013/14 was set by Council on 1<sup>st</sup> March 2013. In recognition of the need for the development of a capital strategy which supports the Council's improvement objectives, the capital programme agreed in March was set as a one year programme with future years (2014/15 to 2022/23) shown as an indicative programme only. No commitment has been made for future years (other than for the Council's contribution to the 21<sup>st</sup> Centuries Schools programme or for specific small schemes which have a life over more than one year). The costs associated with the schools programme is included within the Medium Term Financial Plan. The capital programme continues to be carefully monitored by officers with directorate service managers through specific departmental capital monitoring meetings for which myself and the Corporate Finance Manager oversee. Further monitoring is undertaken through the Corporate Asset Management Group which is chaired by the Director of Environment which includes officers from Finance, Assets and from all spending Departments. This monitoring considers capital resources, forecast expenditure levels and timing. Formal reporting to Members is quarterly to Cabinet and Corporate Resources Overview and Scrutiny Committee. Any urgent capital requirements for additional expenditure or other considerations around resource will be dealt with through these existing channels. If needed, reports could be made at a more frequent interval.

### **Main Accounting**

- 3.13 **Audit recommendations** – the audit recommendations are in relation to systematic approaches to the calculation of bad debt provision and having a protocol for earmarked reserves.
- 3.14 **Reason for delay** – these two areas has been affected by the need to prioritise workload and risks during the finance review and its implementation, alongside supporting the organisation through organisational change projects and financial challenges.
- 3.15 **Management of risk** – the level of bad debt provision is reviewed annually as part of the budget process and on an ongoing basis. For the future, the approach needs to be more systematic and linked into the Corporate Debt policy which has now been adopted by the Council. Earmarked reserves are reviewed during the budget setting process and regularly through budget monitoring, with plans to implement improvements into the current years monitoring and undertake a balance sheet review as part of the 2014/15 budget process. It had been intended to formalise matters in the current revision to Financial Procedure Rules but other areas of higher risk were prioritised. Reserves will now feature in the second phase of the FPR review later this year.

### **Financial Systems**

- 3.16 **Audit recommendations** – the audit recommendations are in relation to bad debt provision (see Main Accounting above) and the use of the available software to assist in eliminating duplicate payments.
- 3.17 **Reason for delay** – this has been affected by the need to prioritise workload and risks during implementation of the finance review and capacity issues.
- 3.18 **Management of risk** – the use of the software will provide a technology based solution which will be more efficient and effective than the current manual arrangements which are in place, pending its introduction. The software has now been used in a successful “proof of concept” trial which will now be rolled out following further staff training.

### **Enforcement**

- 3.19 **Audit recommendations** – the audit recommendations are in relation to consistency of credit control and the enforcement of debt owed to the Council.
- 3.20 **Reason for delay** - there have been delays as a result of staff capacity whilst the Finance review took place and permanent

management arrangements were brought into place within Revenues and Benefits.

- 3.21 **Management of Risk** – a Corporate Debt policy has been agreed by the Council which clearly sets out credit terms and expectations for credit control. The newly appointed Revenues and Benefits Manager has implemented a range of measures which are now targeting debt collection and monitoring aged debts and performance in collection. Consideration has been given to how the existing debt control software could be upgraded to provide the necessary IT to support the recommendations. It has now been agreed that a new debtors system with modern functionality needs to be introduced and this is now being pursued for implementation ideally by March 2014

### **Housing Benefits**

- 3.22 **Audit recommendations** - the audit recommendations are in relation to the need for documented procedures around accounting for housing benefits and having resources in place to recover overpayments.
- 3.23 **Reason for delay** - the Revenues and Benefits Service has undergone significant change in the latter part of 2012 and first half of 2013, including turnover at Senior Manager level, implementing the revised structure following the Finance Review, implementing the new Councils Tax Reduction Scheme and supporting the Council's work on the wide Welfare Reform Programme.
- 3.24 **Management of risk** - a permanent Revenues Benefits Manager took up position in late June and is implementing a range of measures to ensure that
- The accounting and monitoring of housing benefit and council tax support are documented and fully understood within the benefits service and corporate finance is implemented and that processes are robust and provide the management and financial information required to manage the service. Accounting is taking a high profile with regular meetings between Corporate Finance and Benefits to ensure understanding and with a determination to continue to improve the reporting format.
  - There are systematic processes in place to deal with benefit overpayments. A decision to maintain overpayments staff within Benefits has been made. A responsible team leader is in place and work is commencing to provide a robust reporting mechanism.
- Prior to June, the position was monitored and progress overseen through 1-1 meetings between myself and the managers within the service.

## **Monitoring the Implementation of Recommendations**

3.25 The nature of the work of parts of the Finance Division in maintaining core financial systems for the Council, results in there being internal audit coverage in each years audit plan, with further audits being included through discussion and agreement with management.

3.26 Monitoring of the implementation of audit recommendations has now been incorporated into the routine monthly and quarterly performance monitoring arrangements for the Division as part of monitoring achievement of service plans and key actions.

### **4.00 RECOMMENDATIONS**

4.01 Members are asked to note the report.

### **5.00 FINANCIAL IMPLICATIONS**

5.01 None directly as a result of this report.

### **6.00 ANTI POVERTY IMPACT**

6.01 None directly as a result of this report.

### **7.00 ENVIRONMENTAL IMPACT**

7.01 None directly as a result of this report.

### **8.00 EQUALITIES IMPACT**

8.01 None directly as a result of this report.

### **9.00 PERSONNEL IMPLICATIONS**

9.01 None directly as a result of this report.

### **10.00 CONSULTATION REQUIRED**

10.01 None directly as a result of this report.

### **11.00 CONSULTATION UNDERTAKEN**

11.01 None.

### **12.00 APPENDICES**

12.01 Appendix 1 – Summary of outstanding audit recommendations as September 2013

Appendix 2 – Audit Recommendations made in original reports

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

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