

# Pecyn Dogfen Gyhoeddus



Swyddog Cyswllt:  
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At: Cyng Helen Brown (Cadeirydd)

Y Cynghorwyr: Glyn Banks, Jean Davies, Chris Dolphin, Andy Dunbobbin,  
Paul Johnson ac Arnold Woolley

## **Aelod Cyfetholedig:**

Sally Ellis

14 Tachwedd 2017

Annwyl Gynghorydd

Fe'ch gwahoddir i fynychu cyfarfod Pwyllgor Archwilio a fydd yn cael ei gynnal am 10.00 am Dydd Mercher, 22ain Tachwedd, 2017 yn Ystafell Bwyllgor Clwyd, Neuadd y Sir, Yr Wyddgrug CH7 6NA i ystyried yr eitemau canlynol.

## **R H A G L E N**

### **1 YMDDIHEURIADAU**

**Pwrpas:** I dderbyn unrhyw ymddiheuriadau.

### **2 DATGAN CYSYLLTIAD (GAN GYNNWYS DATGANIADAU CHWIPIO)**

**Pwrpas:** I dderbyn unrhyw ddatganiad o gysylltiad a chynghori'r Aelodau yn unol a hynny.

### **3 COFNODION (Tudalennau 3 - 10)**

**Pwrpas:** I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 27 Medi 2017.

### **4 ADOLYGIAD CANOL BLWYDDYN RHEOLI'R TRYSORLYS 207/18 A DIWEDDARIAD CHWARTEROL 2 (Tudalennau 11 - 42)**

Adroddiad Rheolwr Cyllid Corfforaethol -

**Pwrpas:** Cyflwyno drafft i Aelodau o'r Adolygiad Canol Blwyddyn Rheoli'r Trysorlys 1 Ebrill – 30 Medi 2017 am sylwadau ac argymhelliad i'w gymeradwyo i'r Cabinet.

5 **DEFNYDDIO YMGYNGHORWYR** (Tudalennau 43 - 48)

Adroddiad Prif Weithredwr - Arweinydd y Cyngor Aelod o'r Cabinet dros Gyllid

**Pwrpas:** Gyflwyno diweddariad ar y broses a'r gweithdrefnau ynghylch gwariant ar ymgynghori i'r Pwyllgor.

6 **RHEOLAU GWEITHDREFNAU ARIANNOL** (Tudalennau 49 - 114)

Adroddiad Rheolwr Cyllid Corfforaethol - Arweinydd y Cyngor Aelod o'r Cabinet dros Gyllid

**Pwrpas:** Darparu Rheolau Gweithdrefnau Ariannol wedi'u diweddarau i'r Pwyllgor Archwilio i'w hargymell i'r Cyngor Sir.

7 **PROTOCOL AR Y CYD RHWNG ARCHWILIO MEWNOL A SWYDDFA ARCHWILIO CYMRU** (Tudalennau 115 - 128)

Adroddiad Rheolwr Archwilio Mewnol -

**Pwrpas:** Cyflwyno'r Protocol ar y Cyd rhwng Archwilio Mewnol a Swyddfa Archwilio Cymru sydd wedi'i ddiweddarau i'r Pwyllgor.

8 **ADRODDIAD CYNNYDD ARCHWILIO MEWNOL** (Tudalennau 129 - 162)

Adroddiad Rheolwr Archwilio Mewnol -

**Pwrpas:** Cyflwyno Diweddariad i'r Pwyllgor am gynnydd yr Adran Archwilio Mewnol.

9 **OLRHAIN CAMAU GWEITHREDU** (Tudalennau 163 - 168)

Adroddiad Rheolwr Archwilio Mewnol -

**Pwrpas:** Hysbysu'r Pwyllgor o'r camau gweithredu sy'n deillio o bwyntiau a godwyd yng nghyfarfodydd blaenorol y Pwyllgor Archwilio.

10 **RHAGLEN GWAITH I'R DYFODOL** (Tudalennau 169 - 176)

Adroddiad Rheolwr Archwilio Mewnol -

**Pwrpas:** Ystyried Rhaglen Gwaith I'r Dyfodol yr Adran Archwilio Mewnol.

Yn gywir



Robert Robins  
Rheolwr Gwasanaethau Democraidd

# Eitem ar gyfer y Rhaglen 3

## PWYLLGOR ARCHWILIO 27 MEDI 2017

Cofnodion cyfarfod Pwyllgor Archwilio Cyngor Sir y Fflint a gynhaliwyd yn Ystafell Bwyllgora Clwyd, Neuadd y Sir, yr Wyddgrug, ddydd Mercher 27 Medi 2017.

### **YN BRESENNOL: Y Cynghorydd Helen Brown (Cadeirydd)**

Y Cynghorwyr: Glyn Banks, Jean Davies, Chris Dolphin, Andy Dunbobbin, Paul Johnson ac Arnold Woolley  
Aelod cyfetholedig: Sally Ellis

**HEFYD YN BRESENNOL:** Y Cynghorwyr: Mynychodd Aaron Shotton a Ted Palmer fel sylwedyddion.

### **ERAILL HEFYD YN BRESENNOL:**

Prif Weithredwr; Prif Swyddog (Llywodraethu); Rheolwr Cyllid Corfforaethol; Prif Archwilydd; Uwch-Archwilydd; a Swyddog Gwasanaethau Democraidd.

John Herniman, Matthew Edwards, Paul Goodlad a Jeremy Evans o Swyddfa Archwilio Cymru

Rheolwr Cyllid – Cyfrifyddiaeth Technegol a Rheolwr Cyllid Pensiynau (ar gyfer cofnod rhif 24)

Prif Swyddog (Cynllunio a'r Amgylchedd) a Rheolwr Datblygu (ar gyfer cofnod 27)

## **22. DATGAN CYSYLLTIAD**

Cynghorodd y Prif Swyddog (Llywodraethu) y byddai gan aelodau Cronfa Bensiwn Clwyd gysylltiad personol ag eitem 4 y Rhaglen, 'Datganiad Cyfrifon 2016/17' ac y byddai'r rheiny a gynhwysir yn y Cofrestr Cysylltiad yn cael eu cofnodi yn awtomatig ar gyfer y cyfarfod hwn. Datganodd y Cadeirydd gysylltiad personol fel aelod o Gronfa Bensiwn Clwyd.

## **23. COFNODION**

Cyflwynwyd cofnodion y cyfarfod a gynhaliwyd ar 19 Gorffennaf 2017.

### **PENDERFYNWYD:**

Cymeradwyo'r cofnodion fel cofnod cywir a bod y Cadeirydd yn eu llofnodi.

## **24. DATGANIAD CYFRIFON 2016/17**

Cyflwynodd y Rheolwr Cyllid Corfforaethol y fersiwn derfynol wedi ei archwilio o Ddatganiad Cyfrifon 2016/17 gydag adroddiadau Swyddfa Archwilio Cymru yn gysylltiedig ag archwiliad y datganiadau ariannol a Llythyrau Sylwadau ar gyfer Cyngor Sir Y Fflint a Chronfa Bensiwn Clwyd. Diolchodd i swyddogion y Cyngor a chydweithwyr Swyddfa Archwilio Cymru ar eu gwaith ar y cyfrifon oedd wedi eu

harchwilio yr oeddynt yn ceisio cymeradwyaeth arnynt er mwyn eu hargymell i'r Cyngor Sir ar yr un diwrnod er mwyn cwrdd y dyddiad cau cyhoeddi statudol. Roedd ymatebion a roddwyd i gwestiynau ar y cyfrifon drafft wedi eu cylchredeg i bob Aelod oedd wedi cael cyfle i drafod ymholiadau pellach gyda swyddogion.

Rhoddwyd cyflwyniad yn trafod y meysydd canlynol:

- Diweddariad Cynnydd ers Gorffennaf
- Grŵp Llywodraethu Cyfrifon
- Cyfrifon y Cyngor
  - Cynnydd wrth fynd i'r afael â materion y llynedd
  - Camddatganiad heb ei addasu
  - Addasiadau i ddrafft Datganiad Cyfrifon
- Cyfrifon Cronfa Bensiwn Clwyd
  - Cynnydd wrth fynd i'r afael â materion y llynedd
  - Addasiadau i ddrafft Datganiad Cyfrifon
  - Adborth gan Bwyllgor Cronfa Bensiwn Clwyd

Nododd y Rheolwr Cyllid – Cyfrifyddiaeth Dechnegol – gydnabyddiaeth gan Swyddfa Archwilio Cymru o gynnydd da o ran camau a gymerwyd i fynd i'r afael â materion a godwyd yn ystod y broses o archwilio cyfrifon 2015/16. Roedd rhai camgymeriadau yn anochel oherwydd maint a chymhlethdod cyfrifon llywodraeth leol ac roedd penderfyniadau ynglŷn ag a ddylid newid y rhain yn y cyfrifon yn seiliedig ar gyfuniad o fateroliaeth, barn yr archwilydd, a chymhlethdod a gwerth addasu. Rhoddodd y Rheolwr Cyllid drosolwg o'r rhaglen o addasiadau a chynghorodd fod Swyddfa Archwilio Cymru wedi cefnogi barn y Grŵp Llywodraethu Cyfrifon y dylai un camddatganiad aros heb ei gywiro yn y cyfrifon.

Ar gyfrifon Cronfa Bensiwn Clwyd, bu i'r Rheolwr Cyllid Pensiynau grynhoi'r addasiadau oedd oll o dan fateroliaeth a chynghorodd nad oedd unrhyw gamddatganiadau heb eu cywiro. Cadarnhaodd fod Pwyllgor Cronfa Bensiwn Clwyd wedi derbyn cyflwyniad manwl gan swyddogion fod nad oedd gan Swyddfa Archwilio Cymru unrhyw broblem ynglŷn â'r cyfrifon oedd wedi eu harchwilio.

Dywedodd Mr. John Herniman o Swyddfa Archwilio Cymru, fod eleni yn gyffredinol yn flwyddyn bositif arall ar gyfer cyfrifon y Cyngor a chanmolodd Swyddogion Cyllid a'r tîm am weithio yn effeithiol i goladu'r cyfrifon a datrys problemau. Cadarnhaodd fod barn anghymwys ('glân') wedi ei roi ar y cyfrifon a bod y penderfyniad ar y camddatganiad heb ei gywiro wedi ei gefnogi ac nad oedd yn effeithio barn yr archwiliad. Canmolwyd rôl barhaol y Grŵp Llywodraethu Cyfrifon wrth oruchwylio'r cyfrifon. Byddai'r gofyniad i symleiddio'r amserlen cynllunio cyfrifon berthnasol ar draws llywodraethau lleol a chyrrff sector cyhoeddus eraill mewn sawl blwyddyn yn heriol.

Roedd barn archwilio 'lân' hefyd wedi ei rhoi ar gyfrifon Cronfa Bensiwn Clwyd er bod Swyddfa Archwilio Cymru wedi nodi nad oedd safonau wedi cyrraedd y lefel a gyrhaeddwyd yn y blynyddoedd blaenorol. Roedd Mr. Herniman yn fodlon fod y rhain yn cael eu trin ar gyfer cyfrifon y flwyddyn nesaf ac roedd yn falch o adrodd fod cynnydd da wedi ei wneud ar yr argymhellion yn yr adroddiad.

Diolchodd y Prif Weithredwr i'r ddau dîm am eu gwaith ar wella'r cyfrifon ac i Aelodau am eu cymorth parhaol. Tra bo'r materion o ran cyfrifon Cronfa Bensiwn Clwyd yn siomedig, roedd yn bwysig nodi fod y rhain yn cael eu trin ar unwaith rhag iddynt ddigwydd eto. Roedd y newid sydd ar fin digwydd i amserlenni cyhoeddi statudol cyfrifon llywodraeth leol yn her sylweddol i'r ddau barti ac roedd trafodaethau am gynllunio cynnar yn mynd rhagddynt.

Croesawodd Sally Ellis yr adroddiad cadarnhaol ac awgrymodd y gellid cynnwys eitem yn y dyfodol er mwyn rhoi sicrwydd i'r Pwyllgor am gynnydd o ran trefniadau a'r adnoddau angenrheidiol er mwyn cadw at y dyddiad cau cynharach. Dywedodd y Prif Weithredwr y byddai diweddariad yn cael ei roi yn gynnar yn 2018.

Cytunodd Mr Herniman â'r dull gweithredu hwn gan nodi y byddai angen i Swyddfa Archwilio Cymru nodi ffyrdd newydd o weithio gyda chydweithwyr llywodraeth leol ar y mater hwn er mwyn cynorthwyo.

### **PENDERFYNWYD:**

- (a) Cymeradwyo fersiwn terfynol Datganiad Cyfrifon 2016/17 i'r Cyngor Sir;
- (b) Derbyn adroddiadau Swyddfa Archwilio Cymru ar Archwiliad y Datganiadau Ariannol ar gyfer Cyngor Sir Y Fflint a Chronfa Bensiwn Clwyd; a
- (c) Chymeradwyo Llythyrau Sylwadau ar gyfer Cyngor Sir y Fflint a Chronfa Bensiwn Clwyd i'r Cyngor Sir.

## **25. ADRODDIADAU ASTUDIAETH SWYDDFA ARCHWILIO CYMRU**

Cyflwynodd y Prif Weithredwr adroddiadau adolygu Swyddfa Archwilio Cymru ar gamau dilynol yr Asesiad Corfforaethol, Llywodraethu Da wrth benderfynu ar newidiadau gwasanaeth, ac effeithiolrwydd rhaglen arbedion effeithlonrwydd y Cyngor. Cyflwynwyd yr adroddiadau, oedd yn bwydo i'r Adroddiad Gwella Blynyddol (yr eitem nesaf ar y rhaglen) er mwyn rhoi sicrwydd ar y meysydd hynny ac i ystyried os oedd ymatebion gweithrediaeth y Cyngor yn gymesur.

Cyflwynwyd yr adborth canlynol gan Bwyllgor Trosolwg a Chraffu Adnoddau Corfforaethol, yn ogystal ag ymatebion swyddogion, i'r Cabinet:

- Gwytnwch ariannol – pryderon fod y targed o 95% ar gyfer arbedion effeithlonrwydd yn rhy uchel ac y dylid ei ostwng gan mai dim ond 85% o arbedion effeithlonrwydd oedd yn cael eu cyflawni ar hyn o bryd. Wrth gydnabod yr her hwn, eglurodd y Prif Weithredwr i'r Pwyllgor fod angen cadw pwysau sefydliadol er mwyn cyflawni mor agos i 100% o arbedion effeithlonrwydd a gynlluniwyd â phosib; a
- Trosolwg a Chraffu – roedd barn wedi ei mynegi y gellid gwneud mwy i graffu ar ganlyniadau materion oedd yn cael eu harwain gan gyllideb wedi eu rhoi ar waith. Dywedodd y Prif Weithredwr fod y dull gweithredu hwn eisoes yn cael ei ddatblygu yn ogystal â chyn-ymgynghori ar opsiynau cyllideb.

Dywedodd y Prif Weithredwr fod yr adroddiad yn gyffredinol bositif a sicrhaodd y Pwyllgor fod gwaith wedi cychwyn ar y cynigion i wella, nad oeddynt yn argymhellion nac yn faterion newydd.

Eglurodd Mr. Paul Goodlad o Swyddfa Archwilio Cymru fod rhannu'r canfyddiadau gyda'r Cyngor yn gynnar yn y broses yn golygu y gellid rhoi cychwyn ar y camau gweithredu cyn i'r adroddiad gael ei gyhoeddi; dull gweithredu effeithiol. Dywedodd y gellid bob amser nodi meysydd gwelliant a chadarnhaodd nad oedd pryderon sylweddol.

Gofynnodd Sally Ellis am y cynnydd gyda Strategaethau Digidol a Phobl gan i hynny gael ei amlygu yn adroddiad Swyddfa Archwilio Cymru. Eglurodd y Prif Swyddog (Llywodraeth) am ddatblygiad cynllun gweithredu er mwyn nodi canlyniadau uchelgeisiol ar gyfer y Strategaeth Ddigidol.

Gofynnodd y Cyngorydd Andy Dunbobbin os oedd y Cyngor yn bwriadu ymgysylltu gyda chynghorau eraill ar y Strategaeth Ddigidol oherwydd maint a natur y gwaith hwn.

Rhododd y Prif Weithredwr esiamplau o wasanaethau oedd eisoes yn cael eu darparu yn rhanbarthol ac eraill lle'r oedd cyfleoedd cydweithredol i ddisodli meddalwedd gyfredol TG yn cael eu harchwilio yn rhanbarthol neu'n genedlaethol.

Mewn ymateb i ymholiad gan y Cyngorydd Paul Johnson ar y cynnig gwelliant ar gyfer adroddiad arbedion effeithlonrwydd, eglurodd Mr Goodlad y byddai Swyddfa Archwilio Cymru yn ail ymweld â rhai o'r materion mwy strategol er mwyn asesu os yw effaith heb fod yn ariannol y mentrau effeithlonrwydd yn cael eu gwerthuso.

### **PENDERFYNWYD:**

Bod y pwyllgor wedi'i sicrhau gan adroddiadau adolygu Swyddfa Archwilio Cymru a'i fod yn cefnogi ymateb gweithredol y Cyngor.

## **26. ADRODDIAD GWELLA BLYNYDDOL ARCHWILYDD CYFFREDINOL CYMRU**

Cyflwynodd y Prif Weithredwr yr Adroddiad Gwella Blynyddol gan Swyddfa Archwilio Cymru oedd yn crynhoi'r archwiliad a'r gwaith rheoleiddio a wnaed yn y Cyngor ers i'r adroddiad diwethaf gael ei gyhoeddi ym mis Gorffennaf. Daeth yr adroddiad, gafodd ei ystyried ochr yn ochr â thri Adroddiad Astudio Swyddfa Archwilio Cymru (uchod), i'r casgliad fod y Cyngor yn cwrdd ei ofynion statudol o ran gwelliant parhaus ac ni wnaeth unrhyw argymhellion ffurfiol. Rhannwyd ymateb gweithrediaeth y Cyngor i'r pedwar cynnig ar gyfer gwelliant hefyd.

Eglurodd Mr. Paul Goodlad o Swyddfa Archwilio Cymru fod fformat newydd wedi ei fabwysiadu ar gyfer rhan gyntaf y ddogfen oedd yn crynhoi'r gwaith archwilio perfformiad yn Sir y Fflint. Roedd yr ail ran yn berthnasol i holl gynghorau Cymru a byddai'r canfyddiadau cyfun yn cael eu cyhoeddi mewn adroddiad cenedlaethol. Atgoffodd fod gwelliant yn daith barhaus ac y byddai'r pedwar cynnig dros welliant yn cryfhau trefniadau cyfredol y Cyngor ymhellach.

Dyweddod y Prif Weithredwr fod gwaith sylweddol wedi ei wneud ar heriau'r gyllideb nesaf a rhoddodd ddatganiad ar wytnwch ariannol dyfodol y Cyngor. Dywedodd fod Swyddfa Archwilio Cymru yn cydnabod fod cyllidebau'r Cyngor yn cael eu rheoli a'u llywodraethu yn dda, gyda'r systemau yn gyffredinol gadarn. Roedd yn bwysig gwahaniaethu rhwng safon llywodraethu a rheolaeth ariannol, a faint o arian sydd ar gael i'r Cyngor reoli ei fusnes a'i wasanaethau. Y diwethaf oedd achosi her i'r Cyngor a chynaliadwyedd y gyllideb, nid y cyntaf. Amlygwyd pa mor allweddol oedd datganiad cyllideb arfaethedig gan Ganghellor y Trysorlys a Setliad Dros Dro'r Awdurdod Lleol gan Ysgrifennydd Cabinet Llywodraeth Cymru dros Gyllideb ac Awdurdodau Lleol ar gyfer y dyfodol.

### **PENDERFYNWYD:**

Bod y pwyllgor wedi'i sicrhau gan Gynllun Gwella Blynyddol Archwilydd Cyffredinol Cymru ar gyfer 2016/17 a'i fod yn cefnogi'r ymateb gweithredol iddo.

## **27. ADRODDIAD CYNNYDD ARCHWILIAD MEWNOL**

Cyflwynodd y Prif Archwilydd ddiweddiariad ar gynnydd yr adran Archwilio Mewnol gan gynnwys newidiadau i'r cynllun archwilio, olrhain camau gweithredu ac ymchwiliadau. Rhoddodd drosolwg fras o'r camau gweithredu gyda dyddiadau diwygiedig chwe mis yn hwyrach na'r dyddiad gwreiddiol er mwyn rhoi sicrwydd fod cynnydd yn cael ei wneud, a chadarnhaodd nad oedd yr ychydig lithriant ar ddangosyddion perfformiad yn achosi unrhyw bryder.

Ar adroddiadau terfynol oedd wedi eu cyhoeddi, roedd yr argymhellion ar gyfer adolygiad 'oren – goch' ar 'Alltami Stores' bron a dod i ben. Ar yr adolygiad sicrwydd coch 'cyfyngedig' ar gyfer Gorfodi Cynllunio, dywedodd y Prif Archwilydd ei fod yn fodlon fod cynnydd yn cael ei wneud i fynd i'r afael ag argymhellion a rhoddodd yr Uwch-Archwilydd drosolwg o ganfyddiadau'r adolygiad.

Yn unol â'r arferion a gytunwyd arnynt ar gyfer adolygiadau coch, roedd y Prif Swyddog (Cynllunio a'r Amgylchedd) a'r Rheolwr Datblygu yn bresennol er mwyn rhoi cefndir pellach a sicrwydd ar y camau gweithredu sy'n cael eu cymryd. Byddai'r Polisi Gorfodi Cynllunio diwygiedig, y mae ymgynghoriad arno ar fin digwydd, yn gwella'r broses o flaenoriaethu achosion ac roedd yn cael ei gefnogi gan broses o ailstrwythuro'r tîm Rheoli Datblygiad y byddai'r swyddogaeth orfodi yn fwy sefydledig oddi mewn iddo. Byddai dull y ddau dîm hyn o weithio ar sail llwyth achosion yn gwella cyfathrebu ac yn cryfhau trefniadau ar gyfer delio gydag achosion os byddai unrhyw absenoldeb hir dymor. Byddai cofnodi pob cwyn yn yr un modd yn sicrhau fod camau gweithredu yn cael eu tracio yn fwy cywir.

Dyweddod y Prif Weithredwr fod y Pwyllgor Trosolwg a Chraffu Amgylchedd wedi bod yn gefnogol o'r polisi ac y byddent yn adolygu'r cynnydd a wneir arno drwy adrodd bob chwe mis. Awgrymodd y byddai'r Pwyllgor Archwilio hefyd am gael sicrwydd drwy eitem yn y dyfodol ar ei Raglen Gwaith I'r Dyfodol.

Awgrymodd Sally Ellis y gellid rhoi eitem yn y dyfodol yn y Pwyllgor Archwilio ar y camau gweithredu a gwblhawyd a gofynnodd a oedd digon o adnoddau ar gael

i uwchraddio systemau TG er mwyn cefnogi'r broses orfodi newydd. Dywedodd y Rheolwr Datblygu y byddai Archwilio Mewnol yn cynnal adolygiad dilynol o'r argymhellion ac y byddai'r Grŵp Strategaeth Cynllunio yn dilyn cynnydd perfformiad yn erbyn dangosyddion Llywodraeth Cymru. Roedd achos busnes yn cael i baratoi ar gyfer cyllid cyfalaf am feddalwedd TGCh newydd i ddisodli'r system feddalwedd FLARE gyfredol.

Mewn ymateb i ymholiad gan y Cynghorydd Chris Dolphin, cadarnhawyd fod yr atgyfeiriadau sydd heb eu cwblhau wedi eu hail rannu o fewn y tîm. Nodwyd fod rhai achosion yn aros am resymau penodol ac mai'r bwriad oedd lleihau'r niferoedd o achosion byw i tua 180. Rhannwyd manylion pellach ar strwythur y tîm.

Yn ystod y trafodaethau, cynigiodd y Cynghorydd Arnold Wolley fod y Pwyllgor yn derbyn yr eitem ac yn nodi ei fod yn fodlon fod y materion a gododd yn yr adroddiad yn cael eu trin. Cafodd hyn ei gefnogi gan y Pwyllgor.

**PENDERFYNWYD:**

- (a) Derbyn yr adroddiad; a
- (b) Bod y Pwyllgor yn fodlon fod y materion a godwyd yn yr adroddiad yn cael eu trin yn briodol.

**28. TRACIO CAMAU GWEITHREDU**

Cyflwynodd y Prif Archwilydd yr adroddiad diweddariad cynnydd ar gamau gweithredu oedd yn deillio o gyfarfodydd blaenorol.

Gofynnodd y Cynghorydd Chris Dolphin am 'Greenfield Valley Heritage Park' a chafodd ddiweddariad bras gan y Prif Weithredwr ar gynnydd ynglŷn â chamau gweithredu cynllunio busnes oedd ar y trywydd iawn.

Cyfeiriodd y Cadeirydd at yr hyfforddiant Rheoli Trysorlys sydd i'w drefnu ar gyfer Hydref / Tachwedd ac atgoffodd y cyfarfod fod cyfarfodydd ymgynghori cyllideb Trosolwg a Chraffu yn cael eu trefnu ar gyfer o gwmpas yr un cyfnod. Dywedodd y Rheolwr Cyllid Corfforaethol y byddai dyddiad addas yn cael ei ganfod.

**PENDERFYNWYD:**

Derbyn yr adroddiad.

**29. RHAGLEN GWAITH I'R DYFODOL**

Cyflwynodd y Prif Archwilydd y Rhaglen Gwaith i'r Dyfodol er mwyn ei hystyried ac amlygodd y symudiadau ers yr adroddiad diwethaf.

Awgrymodd y Cadeirydd eitem ar gludiant ysgol a chafodd ei gynghori gan y Prif Weithredwr y byddai'r Pwyllgor Trosolwg a Chraffu Addysg ac Ieuentid yn derbyn diweddariad ar gomisiynu a gweithrediadau yn ei gyfarfod nesaf. Byddai nodyn wedyn yn cael ei gylchredeg i bob Aelod. Adroddodd fod gweithrediadau



cludiant i'r ysgol arferol yn ailgychwyn a bod gwaith yn cael ei wneud ar faterion cymhwyster a chaffael cymhleth. Talodd deyrnged i waith swyddogion yn Nepo Alltami a diolchodd i Aelodau am rannu gwybodaeth. Sicrhaodd y Pwyllgor fod y materion yn cael eu hatgyfeirio at Bwyllgor Trosolwg a Chraffu gyda gwaith cynghorol yn cael ei gynllunio gan yr adran Archwilio Mewnol.

Cyfeiriodd y Cynghorydd Chris Dolphin at broblemau recriwtio a chadw staff o fewn y gwasanaeth Clybiau Ieuentid. Cynigiodd y Prif Weithredwr fynd ar ôl y mater hwn.

**PENDERFYNWYD:**

- (a) Derbyn y Rhaglen Waith i'r Dyfodol; a
- (b) Rhoi awdurdod i Reolwr yr Adran Archwilio Mewnol, wrth ymgynghori gyda Chadeirydd ac Is-Gadeirydd y Pwyllgor, amrywio'r Rhaglen Gwaith i'r Dyfodol rhwng cyfarfodydd, yn ôl yr angen.

**30. PRESENOLDEB AELODAU O'R WASG A'R CYHOEDD**

Nid oedd unrhyw aelodau o'r cyhoedd na'r wasg yn bresennol.

Dechreuodd y cyfarfod am 10am a daeth i ben am 11.45am

.....  
**Y Cadeirydd**

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 4



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 22 <sup>nd</sup> November 2017
<b>Report Subject</b>	Treasury Management Mid-Year Review 2017/18 & Quarter 2 update
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

This report presents the draft mid-year Treasury Management report 2017/18 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> July to 31<sup>st</sup> October 2017.

### RECOMMENDATIONS

1	Members review the draft Treasury Management Mid-Year Report 2017/18 and identify any matters to be drawn to the attention of Cabinet on 19th December 2017.
2	Audit Committee recommends to Cabinet that the Council elects to 'opt up' to professional client status by regulated financial services firms as a result of the second Markets in Financial Instruments Directive (MiFID II) as explained in paragraphs 1.09 - 1.15.

### 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 14 <sup>th</sup> February 2017, the Council approved the Treasury Management Strategy 2017/18, following the recommendation of the Cabinet and consideration by the Audit Committee.

	<b><u>Treasury Management Mid-Year Report 2017/18</u></b>
1.03	The Treasury Management Mid-Year Report for 2017/18 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.
	<b><u>Summary of Key Points</u></b>
1.04	2017/18 continues the trend of 2016/17 as an extraordinary year politically. The Prime Minister called an unscheduled General Election in June, to resolve uncertainty but the result has led to a minority Government. Lack of clarity over future trading partnerships, in particular future customs agreements with the rest of the EU block flowing from UK's negotiations to leave the EU, is denting business sentiment and investment.
1.05	The Bank of England made no change to monetary policy at its meetings in the first half of the financial year with the official Bank Rate remaining at 0.25%. The Monetary Policy Committee highlighted concerns about rising inflation over risks to growth and implied a rate rise in the coming months. Section 3 of the mid-year report provides a full economic and interest rate review of the first half of 2017/18.
1.06	The historic low Bank Rate contributed to the low level of interest the Council was able to generate on its investments, with an average return of 0.25%. Section 5 provides further details of the Council's investment activity during the year.
1.07	No new long term borrowing was undertaken to date in 2017/18. Short term borrowing was undertaken as necessary in accordance with the 2017/18 borrowing strategy. The total short term (temporary) borrowing as at 30th September 2017 was £15.1m with an average rate of 0.29%. Section 4 provides more information on borrowing and debt management during the period.
1.08	The treasury function has operated within the limits detailed in the Treasury Management Strategy 2017/18 to date.
1.09	Section 6 provides information on regulatory changes coming into force in the near future.
1.10	The main change is called MiFID II (the second Markets in Financial Instruments Directive) which comes into force on the 3 <sup>rd</sup> of January 2018. MiFID II requires local authorities to be categorised by regulated financial services firms as retail clients by default who can "opt up" to be professional clients, providing that they meet certain criteria.
1.11	The Council is currently classed as a professional client. To opt up and continue its status as professional the Council must hold an investment balance of at least £10 million and the person authorised to make investment decisions on behalf of the authority must have at least one year's relevant professional experience to ensure that they benefit from the greatest level of investor protection along with other qualitative and quantitative tests. In addition, the financial service firm must assess that the person has the expertise, experience and knowledge to make investment decisions and

	understand the risks involved.
1.12	The main additional protection for retail clients is a duty on the firm to ensure that the investment is “suitable” for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients. The Council doesn’t currently use many of the kinds of products where it would benefit from the additional protection offered from being a retail client for example; shares, bonds and derivatives.
1.13	It is anticipated that retail clients will face increased transaction costs due to the increased level of advice that firms will need to provide, and will potentially face restricted access to certain money market / pooled funds, treasury bills and to financial advice from brokers etc. The costs of being a retail client would potentially outweigh any benefits.
1.14	Officers have considered the differing impacts of remaining a professional client or changing to be a retail client. The assessment considered the security, liquidity and yield of investments and the availability, flexibility and costs of short and long term borrowing. Officers recommend that the Council maintains its current MiFID status of professional in order to continue to manage the Council’s daily treasury management activities as at present.
1.15	This will result in a slight change to operating procedures to maintain the daily investment balance required of £10m. The status will be reviewed regularly and can be subsequently changed.
	<b>Treasury Management 2017/18 – Quarter 2 update</b>
1.16	<u>Investments Update</u>  A statement setting out the Council’s investments as at 31 <sup>st</sup> October 2017 is attached at Appendix 2. The investment balance at this time was £5.2m, spread across 4 counterparties and the average investment rate was 0.22% for the period.
1.17	<u>Borrowing Update</u>  Appendix 3 shows the Council’s long term borrowing as at 31 <sup>st</sup> October 2017. The total amount of loans outstanding was £253.7m with an average interest rate payable of 4.96%.  Appendix 4 shows the Council’s short term borrowing as at 31 <sup>st</sup> October 2017. The total amount of loans outstanding was £22.1m with an average interest rate payable of 0.31%.
1.18	Appendix 5 is a graph showing the investment and short term borrowing position for 2017/18 to date.
1.19	The Bank of England’s Monetary Policy Committee on the 2 <sup>nd</sup> of November 2017 voted to raise the official Bank Rate to 0.50%. The committee emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent. Arlingclose’s future expectations for higher short term rates are subdued and they project 0.5%

	for the medium term. On-going decisions remain dependent on economic data and the Brexit negotiations to leave the EU.																												
1.20	As has been reported previously, the borrowing strategy in 2017/18 continues to be to monitor capital expenditure plans to confirm the Council's long term borrowing need. This is to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. Short term borrowing continues to be available at much lower rates than long term and is currently being utilised as far as possible without taking on excessive refinancing risk. Arlingclose are supportive of this approach.																												
1.21	<p><u>Member Training – Treasury Management</u></p> <p>Member training has been arranged for 4th December 2017 11am – 1pm 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.</p>																												
1.22	<p>At its meeting on July 19<sup>th</sup> Audit Committee highlighted the need for assurance on the ability of the revenue account to support the increasing debt levels along with a comparison with other Council's.</p> <p>Information in the paragraphs below has been extracted from the Prudential Indicator report that all Local Authorities are required to produce under the Prudential Code for Capital Finance in Local Authorities. These prudential indicators are the mechanism whereby a Local Authority demonstrates that decisions relating to capital investment are affordable, sustainable and prudent.</p>																												
1.23	<p>The key indicator which assess ability to support debt is the ratio of financing costs to net revenue stream. The indicator is a measure of affordability, addressing the revenue implications of capital expenditure funded by borrowing.</p> <p>The table below as requested shows Flintshire's estimated 2017/18 ratio compared with figures for all North Wales Council's.</p> <table border="1" data-bbox="300 1482 1385 1823"> <thead> <tr> <th colspan="7">RATIO OF FINANCING COSTS TO NET REVENUE STREAM</th> </tr> <tr> <th></th> <th>FCC</th> <th>DCC</th> <th>CCBC</th> <th>WCBC</th> <th>GCC</th> <th>YMCC</th> </tr> </thead> <tbody> <tr> <td><b>Council Fund</b></td> <td>5.1%</td> <td>6.8%</td> <td>6.73%</td> <td>4.11%</td> <td>5.78%</td> <td>6.5%</td> </tr> <tr> <td><b>HRA</b></td> <td>25.2%</td> <td>44.42%</td> <td>N/A</td> <td>26.8%</td> <td>N/A</td> <td>19.38%</td> </tr> </tbody> </table> <p>The Council Fund net revenue stream is the amount to be met from Welsh Government (WG) grants and local taxpayers, and the HRA equivalent is the amount to be met from WG grants and from rent payers. The estimate of financing costs includes the current commitments and the proposals included in capital programmes.</p> <p>The HRA ratio, calculated in accordance with the Prudential Code, reflects</p>	RATIO OF FINANCING COSTS TO NET REVENUE STREAM								FCC	DCC	CCBC	WCBC	GCC	YMCC	<b>Council Fund</b>	5.1%	6.8%	6.73%	4.11%	5.78%	6.5%	<b>HRA</b>	25.2%	44.42%	N/A	26.8%	N/A	19.38%
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	the increase in financing costs attributable to the settlement payment required to exit the HRA negative subsidy system.
1.24	<p><u>Limitations of prudential indicators:</u></p> <p>It should be noted that the prudential indicators are not designed for comparison between authorities, but are a means 'to support and record local decision-making'.</p>

<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 2017/18</li> <li>2. Investment Portfolio as at 31<sup>st</sup> October 2017</li> <li>3. Long term borrowing as at 31<sup>st</sup> October 2017</li> <li>4. Short term borrowing as at 31<sup>st</sup> October 2017</li> <li>5. Graph showing investments and short term borrowing in 2017/18 to date</li> </ol>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Liz Thomas – Technical Finance Manager  <b>Telephone:</b> 01352 702289  <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Authorised Limit:</b> A statutory limit that sets the maximum level of external debt for the Council.

**Balances and Reserves:** Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.

**Bank Rate:** The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".

**Basis Point:** 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.

**Bond:** 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.

**Capital Expenditure:** Expenditure on the acquisition, creation or enhancement of capital assets.

**Capital Financing Requirement (CFR):** The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.

**Certificates of Deposits (CD's):** 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.

**Cost of Carry:** 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%.

**Consumer Price Index (CPI):** 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 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.

**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.

**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.

**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.

**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.

**Unsupported Borrowing:** Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

**Yield:** The measure of the return on an investment instrument.

Mae'r dudalen hon yn wag yn bwrpasol



# **FLINTSHIRE COUNTY COUNCIL**

## **TREASURY MANAGEMENT**

### **DRAFT MID YEAR REPORT 2017/18**

## **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 2017/18 Treasury Management Strategy at its meeting on 14<sup>th</sup> February 2017.

## **3.00 ECONOMIC & INTEREST RATE REVIEW APRIL – OCTOBER 2017.**

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

**Economic backdrop:** Commodity prices fluctuated over the period with oil falling

below \$45 a barrel before inching back up to \$58 a barrel. UK Consumer Price Inflation (CPI) index rose with the data print for August showing CPI at 2.9%, its highest since June 2013 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices. The new inflation measure CPIH, which includes owner occupiers' housing costs, was at 2.7%.

The unemployment rate fell to 4.3%, it's lowest since May 1975, but the squeeze on consumers intensified as average earnings grew at 2.5%, below the rate of inflation. Economic activity expanded at a much slower pace as evidenced by Q1 and Q2 GDP growth of 0.2% and 0.3% respectively. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings falling and real wage growth negative, there are concerns that these will be a constraint on economic activity in the second half of 2017.

The Bank of England made no change to monetary policy at its meetings in the first half of the financial year. The vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth. Although at September's meeting the Committee voted 7-2 in favour of keeping Bank Rate unchanged, the MPC changed their rhetoric, implying a rise in Bank Rate in "the coming months". The Council's treasury advisor Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

In contrast, near-term global growth prospects improved. The US Federal Reserve increased its target range of official interest rates in June for the second time in 2017 by 25bps (basis points) to between 1% and 1.25% and, despite US inflation hitting a soft patch with core CPI at 1.7%, a further similar increase is expected in its December 2017 meeting. The Fed also announced confirmed that it would be starting a reversal of its vast Quantitative Easing programme and reduce the \$4.2 trillion of bonds it acquired by initially cutting the amount it reinvests by \$10bn a month.

Geopolitical tensions escalated in August as the US and North Korea exchanged escalating verbal threats over reports about enhancements in North Korea's missile programme. The provocation from both sides helped wipe off nearly \$1 trillion from global equity markets but benefited safe-haven assets such as gold, the US dollar

and the Japanese yen. Tensions remained high, with North Korea's threat to fire missiles towards the US naval base in Guam, its recent missile tests over Japan and a further testing of its latent nuclear capabilities.

Prime Minister Theresa May called an unscheduled General Election in June, to resolve uncertainty but the surprise result has led to a minority Conservative government in coalition with the Democratic Unionist Party. This clearly results in an enhanced level of political uncertainty. Although the potential for a so-called hard Brexit is diminished, lack of clarity over future trading partnerships, in particular future customs agreements with the rest of the EU block, is denting business sentiment and investment. The reaction from the markets on the UK election's outcome was fairly muted, business confidence now hinges on the progress (or not) on Brexit negotiations, the ultimate 'divorce bill' for the exit and whether new trade treaties and customs arrangements are successfully concluded to the UK's benefit.

In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England to take only a very measured approach to any monetary policy tightening, any increase will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

**Financial markets:** Gilt yields displayed significant volatility over the six-month period with the appearing change in sentiment in the Bank of England's outlook for interest rates, the push-pull from expectations of tapering of Quantitative Easing (QE) in the US and Europe and from geopolitical tensions, which also had an impact. The yield on the 5-year gilts fell to 0.35% in mid-June, but then rose to 0.80% by the end of September. The 10-year gilts similarly rose from their lows of 0.93% to 1.38% at the end of the quarter, and those on 20-year gilts from 1.62% to 1.94%.

The FTSE 100 nevertheless powered away reaching a record high of 7548 in May but dropped back to 7377 at the end of September. Money markets rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.25%, 0.30% and 0.65% over the period from January to 21st September.

**Credit background:** UK bank credit default swaps continued their downward trend, reaching three-year lows by the end of June. Bank share prices have not moved in any particular pattern.



## **Outlook for the remainder of 2017/18**

The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Both consumer and business confidence remain subdued. Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low and real earnings growth (i.e. after inflation) struggles in the face of higher inflation.

The Bank of England's Monetary Policy Committee has changed its rhetoric, implying a rise in Bank Rate in "the coming months". Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

This decision is still very data dependant and Arlingclose is, for now, maintaining its central case for Bank Rate at 0.25% whilst introducing near-term upside risks to the forecast as shown below. Arlingclose's central case is for gilt yields to remain broadly stable in the across the medium term, but there may be near term volatility due to shifts in interest rate expectations.

	Dec 17	Mar 18	Jun 18	Sept 18	Dec 18	Mar 19	Jun 19	Sept 19	Dec 19	Mar 20	Jun 20
Upside Risk	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Interest Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Downside Risk	0.00%	0.00%	0.00%	0.00%	0.00%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%

## **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 2017-18 Capital Estimates Return to access this reduced rate for a further 12 months from 1<sup>st</sup> November 2017.

### 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 (£222.41m) and variable rate (£10m), £18.95m is variable in the form of Lobo's (Lender's Option, Borrower's Option) and £2.341m is interest free loans from government.

The Council's average borrowing rate is currently 4.96%.

	Balance 01/04/2017 £m	Debt Maturing £m	New Debt £m	Balance 30/09/2017 £m
<b>Long Term Borrowing</b>	251.36	0.00	0.00	251.36
<b>Government Loans</b>	1.29	0.00	1.05	2.34
<b>TOTAL BORROWING</b>	252.65	0.00	0.00	253.70
<b>Other Long Term Liabilities *</b>	6.50	0.55	0.00	5.95
<b>TOTAL EXTERNAL DEBT</b>	259.15	0.00	0.00	259.65
<b>Increase/ (Decrease) in Borrowing £m</b>				<b>0.50</b>

- 4.04 No other new long term borrowing has been undertaken so far during 2017/18. Other than specific government loans available for specific capital schemes.

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 0.36%.

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 is likely to be 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 2.73%.

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 30<sup>th</sup> September 2017 was £15.1m with an average rate of 0.29%.

The Council acknowledges that this position is not sustainable over the medium term. The Council's capital expenditure plans will be monitored throughout 2017/18 to inform and confirm the Council's long term borrowing need. This is to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. The continued use of short-term borrowing will assist with such. This will be balanced against securing low long term interest rates currently being forecast.

#### 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

FCC has a long term debt portfolio of £259m, a mix of PWLB maturity loans, bank loans and loans from government. Options for debt rescheduling have been explored and the following can be surmised from work in conjunction with our treasury management advisors:

##### PWLB Loans:

The premium charged 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.

LOBOs:

The authority explored the option to repay LOBOs early and received valuations for the LOBO loans from the bank. Following a review it has been established that the premium would cost £11.7m is 62% of principal amount of the LOBOs. Therefore, to repay the loans the Council would need to repay the principal of £18.95m and the premium of £11.7m a total of £30.65m. This reflected the expected prolonged low interest rate environment. FMS (the lender of the Lobos) did not offer any discounts on the premium cost.

Given the valuations offered by FMS and the Council's financial position, costs were unlikely to be lower due to the need to refinance both the principal and premium. The Council was advised not to repay unless FMS agrees a lower valuation of the loans and have decided at this time to not to refinance.

While the Council could reduce its exposure to the optionality contained within the loans, i.e. uncertain refinancing risk, this risk is very low in the short to medium term.

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 Authority's aim is to achieve a yield commensurate with these principles.
- 5.02 The maximum investments the Authority had on deposit at any one time totalled £29.6m. The average investment balance for the period was £13.8m and the average rate of return was 0.25%, generating investment income of £16k.
- 5.03 Investments have been made with UK banks and building societies 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 £266.4m and the average rate paid was 4.73% generating interest payable of £6,300m in line with budget forecasts (to date).

	Investments		Borrowing	
	Interest received £'000	Interest rate %	Interest paid £'000	Interest rate %
Actual	16	0.25	6,300	4.73
Budget	22.5	0.30	6,600	4.47
Difference	-6.5	-	300	-

Year-end projections are as follows:

	Investments		Borrowing	
	Interest received £'000	Interest rate %	Interest paid £'000	Interest rate %
Actual	32	0.20	13,060	5.00
Budget	45	0.30	13,200	4.47
Difference	-13	-	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 Arlingclose Ltd)*

There were a few credit rating changes during the quarter. The significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, revised the outlook of Santander UK plc, and Nationwide and Coventry building societies from negative to stable but downgraded the long-term rating of Leeds BS from A2 to A3. The agency downgraded long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential

property investors.

S&P also revised Nordea Bank's outlook to stable from negative, whilst affirming their long-term rating at AA-. The agency also upgraded the long-term rating of ING Bank from A to A+.

Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, the Authority reduced the maximum duration of unsecured investments with Bank of Scotland, HSBC Bank and Lloyds Bank from 13 months to 6 months as until banks' new structures are finally determined and published, the different credit risks of the 'retail' and 'investment' banks cannot be known for certain.

The new EU regulations for Money Market Funds were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility NAV (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

#### 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 MiFID II: Local authorities are currently treated by regulated financial services firms as professional clients who can "opt down" to be treated as retail clients instead. From 3<sup>rd</sup> January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can "opt up" to be professional clients, providing that they meet certain criteria. Regulated financial services firms include banks, brokers, advisers, fund managers and

custodians, but only where they are selling, arranging, advising or managing designated investments. In order to opt up to professional, the authority must have an investment balance of at least £10 million and the person authorised to make investment decisions on behalf of the authority must have at least one year's relevant professional experience. In addition, the firm must assess that that person has the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The main additional protection for retail clients is a duty on the firm to ensure that the investment is "suitable" for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients. It is also likely that retail clients will face an increased cost and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice. The Authority has declined to opt down to retail client status in the past as the costs were thought to outweigh the benefits.

The Council meets the majority of conditions to opt up to professional status, the one exception being holding an investment balance of £10m. As previously reported the Council has a forecast borrowing requirement. This is due to an increased capital programme which includes prudential borrowing to fund the 21<sup>st</sup> century schools programme, and the investment in improving the quality of Council housing and building new Council homes. In the current low interest rate environment the strategy has been to use hold minimal investments and maximise the use of internal borrowing to fund capital expenditure reducing the Council's exposure to counterparty risk and reducing borrowing costs, without compromising the long term stability of the Council's debt portfolio.

As outlined in 4.06 over the period the Council has been utilising short term borrowing to confirm the need for longer term borrowing. Ensuring the Council doesn't commit to any unnecessary and costly long term borrowing. Over the past six months the daily average investment balance has been £13.7m with highs of £29.6m and lows of £3.7m. The Councils monthly investment balance can vary by £19.7m as shown in quarterly updates. To continue to operate Treasury Management activities of investing and borrowing as present a daily investment balance of £10m will need to be held.

Having considered the differing impacts of remaining a professional client or changing to a retail client on the security, liquidity and yield of any investments held and on the availability, flexibility and costs of short and long term borrowing Officers would recommend that the Council maintains its current MiFID status of professional and seeks approval from Members to do so.

- 6.02 CIPFA Consultation on Prudential and Treasury Management Codes: In February 2017 CIPFA canvassed views on the relevance, adoption and practical application of the Treasury Management and Prudential Codes and after reviewing responses launched a further consultation on changes to the codes in August with a deadline for responses of 30<sup>th</sup> September 2017.

The proposed changes to the Prudential Code include the production of a new high-level Capital Strategy report to full council which will cover the basics of the capital programme and treasury management. The prudential indicators for capital expenditure and the authorised borrowing limit would be included in this report but other indicators may be delegated to another committee. There are plans to drop certain prudential indicators, however local indicators are recommended for ring fenced funds (including the HRA) and for group accounts. Other proposed changes include applying the principles of the Code to subsidiaries.

Proposed changes to the Treasury Management Code include the potential for non-treasury investments such as commercial investments in properties in the definition of “investments” as well as loans made or shares brought for service purposes. Another proposed change is the inclusion of financial guarantees as instruments requiring risk management and addressed within the Treasury Management Strategy. Approval of the technical detail of the Treasury Management Strategy may be delegated to a committee rather than needing approval of full Council. There are also plans to drop or alter some of the current treasury management indicators.

CIPFA intends to publish the two revised Codes towards the end of 2017 for implementation in 2018/19, although CIPFA plans to put transitional arrangements in place for reports that are required to be approved before the start of the 2018/19 financial year. The Department of Communities and Local Government (DCLG) and CIPFA wish to have a more rigorous framework in place for the treatment of commercial investments as soon as is practical. It is understood that DCLG will be revising its Investment Guidance (and its MRP guidance) for local authorities in England; however there have been no discussions with the devolved administrations yet.

The impacts of the changes are currently being considered by Officers who will report to Members in due course.

## **7.00 COMPLIANCE**

- 7.01 The Council can confirm that it has complied with its Prudential Indicators for the period April to September 2017. These were approved on 14<sup>th</sup> February 2017 as part of the Council's 2017/18 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 2017. 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 2017 includes:

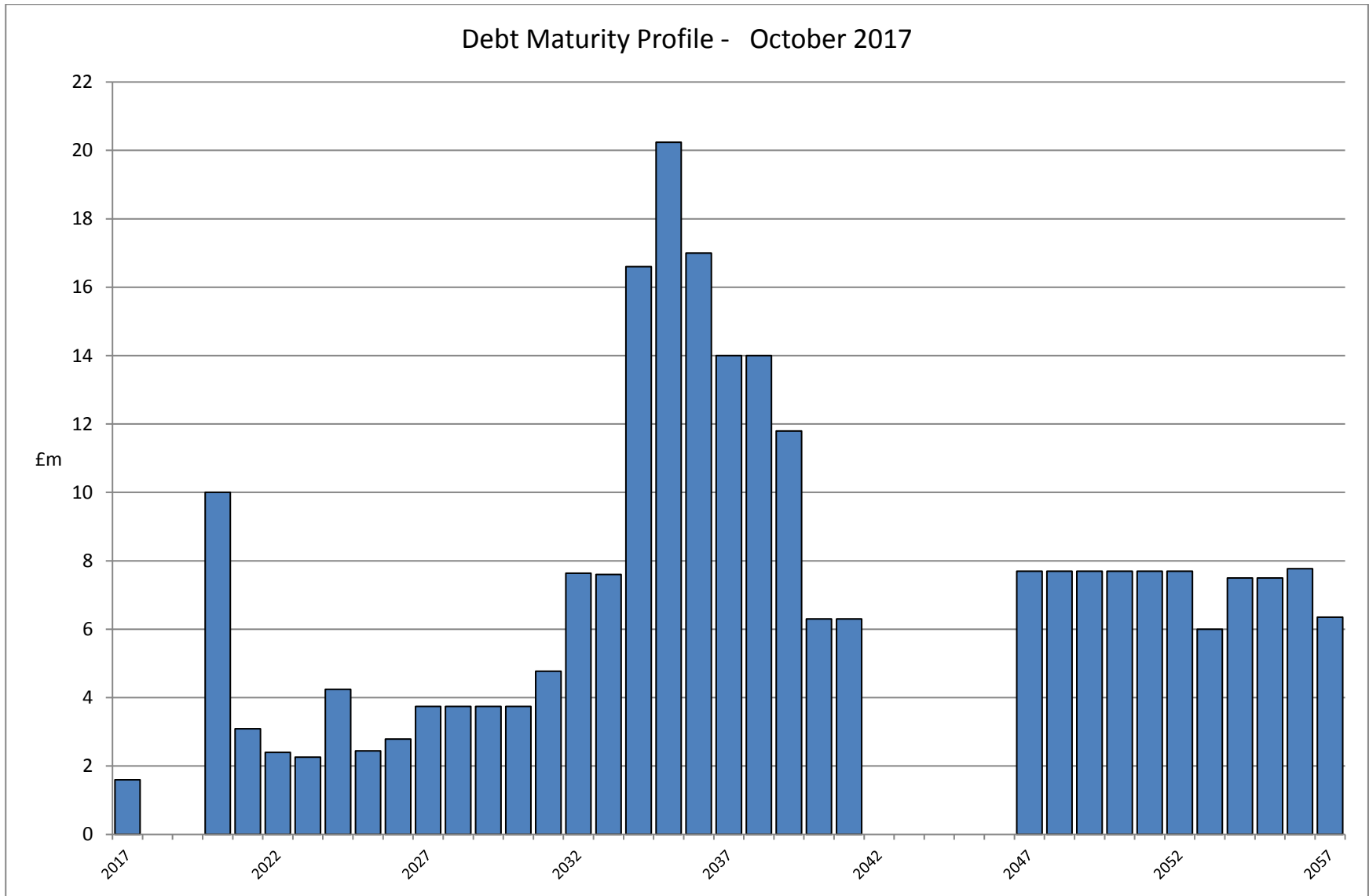
- The Treasury Management Annual Report 2016/17 was reported to Audit Committee on 19<sup>th</sup> July 2017, Cabinet on 26<sup>th</sup> September 2017 and approved by Council on 27<sup>th</sup> September 2017.
- Quarterly Treasury Management updates were reported to the Audit Committee.
- The Council 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 2017/18.

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.

9.03 In order to continue to manage the Council's daily treasury management activities as at present, the Council elects to 'opt up' to professional client status by regulated financial services firms as a result of the second Markets in Financial Instruments Directive (MiFID II). This will result in a slight change to operating procedures to maintain a daily investment balance of £10m. The status will be reviewed regularly and can be changed subsequently.



**FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO**

**31st October 2017**

**APPENDIX 2**

Tudalen 35

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
AMUNDI MONEY MARKET FUND	0.7	04/05/17	30/11/17	0.20%	805	MMF	1 month or less
<b>AMUNDI MONEY MARKET FUND</b>	<b>0.7</b>						
BNP PARIBAS SECURITIES SVCS	3.0	03/04/17	30/11/17	0.22%	4,358	MMF	1 month or less
<b>BNP PARIBAS SECURITIES SVCS</b>	<b>3.0</b>						
INSIGHT LIQUIDITY FUNDS PLC	0.5	01/08/17	30/11/17	0.20%	332	MMF	1 month or less
<b>INSIGHT LIQUIDITY FUNDS PLC</b>	<b>0.5</b>						
FURNESS BUILDING SOCIETY	1.0	05/10/17	05/01/18	0.35%	882	UK BS	1 - 3 months
<b>FURNESS BUILDING SOCIETY</b>	<b>1.0</b>						
<b>TOTAL</b>	<b>5.2</b>			<b>0.22%</b>	<b>5,572</b>		
<b>PREVIOUS REPORTS TOTALS (30th JUNE 2017)</b>	<b>5.0</b>			<b>0.35%</b>			

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

**31st OCTOBER 2017**

**APPENDIX 2**

Tudalen 36

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	0.0	0%				
UK Building Society (UK BS)	1.0	19%		1		
Overseas	0.0	0%				
Local Authorities	0.0	0%				
CD's	0.0	0%				
T-Bills	0.0	0%				
Money Market Funds (MMF)	4.2	81%	4.2			
<b>Total (£)</b>	<b>5.2</b>		<b>4.2</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>81%</b>	<b>19%</b>	<b>0%</b>	<b>0%</b>

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

31ST October 2017

APPENDIX 3

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
<b>PWLB Fixed Rate Maturity Loans</b>				
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
22/05/97	1,600,000	7.38	118,000	22/11/17
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>222,410,621</b>	<b>5.26</b>	<b>11,694,018</b>	
<b>Market Fixed Rate Loans (LOBOS)</b>				
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>	
<b>PWLB Variable Rate Maturity Loans</b>				
05/05/10	10,000,000	0.39	39,000	05/05/20
<b>Total</b>	<b>10,000,000</b>	<b>0.39</b>	<b>39,000</b>	
<b>Other Government Loans</b>				
22/02/11	1,481,059	0.00	0	01/10/28
21/10/15	860,000	0.00	0	31/03/30
<b>Total</b>	<b>2,341,059</b>	<b>0</b>	<b>0</b>	
<b>Totals</b>				
<b>Fixed Rate</b>	<b>241,360,621</b>		<b>12,552,113</b>	
<b>Variable Rate</b>	<b>10,000,000</b>		<b>39,000</b>	
<b>Other</b>	<b>2,341,059</b>		<b>0</b>	
<b>Grand Total</b>	<b>253,701,680</b>	<b>4.96</b>	<b>12,591,113</b>	

New loan due to debt restructuring  
 \* HRAS Buyout Loans

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**FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING**

**31st OCTOBER 2017**

**APPENDIX 4**

Tudalen 39

Counterparty Name	Amount Borrowed £m	Start Date	Maturity Date	Interest Rate	Interest due £	Brokerage due £	Period to Maturity
GLOUCESTER CITY COUNCIL	3.1	24/04/17	23/04/18	0.52%	16,076	3,092	3 - 12 months
<b>GLOUCESTER CITY COUNCIL</b>	<b>3.1</b>						
LEICESTER CITY COUNCIL	3.0	20/10/17	25/01/18	0.40%	3,189	239	1 - 3 months
LEICESTER CITY COUNCIL	5.0	27/10/17	25/01/18	0.40%	4,932	1,233	1 - 3 months
<b>LEICESTER CITY COUNCIL</b>	<b>8.0</b>						
MIDDLESBROUGH BOROUGH COUNCIL	3.0	25/08/17	27/11/17	0.25%	1,932	773	1 - 3 months
MIDDLESBROUGH BOROUGH COUNCIL	3.0	27/09/17	05/12/17	0.24%	1,361	567	1 - 3 months
<b>MIDDLESBROUGH BOROUGH COUNCIL</b>	<b>6.0</b>						
VALE OF GLAMORGAN	2.0	20/10/17	22/12/17	0.30%	1,036	781	1 - 3 months
VALE OF GLAMORGAN	3.0	28/07/17	28/11/17	0.25%	2,527	1,019	1 - 3 months
<b>VALE OF GLAMORGAN</b>	<b>5.0</b>						
<b>TOTAL</b>	<b>22.1</b>			<b>0.31%</b>	<b>31,052</b>	<b>7,704</b>	

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

**31st OCTOBER 2017**

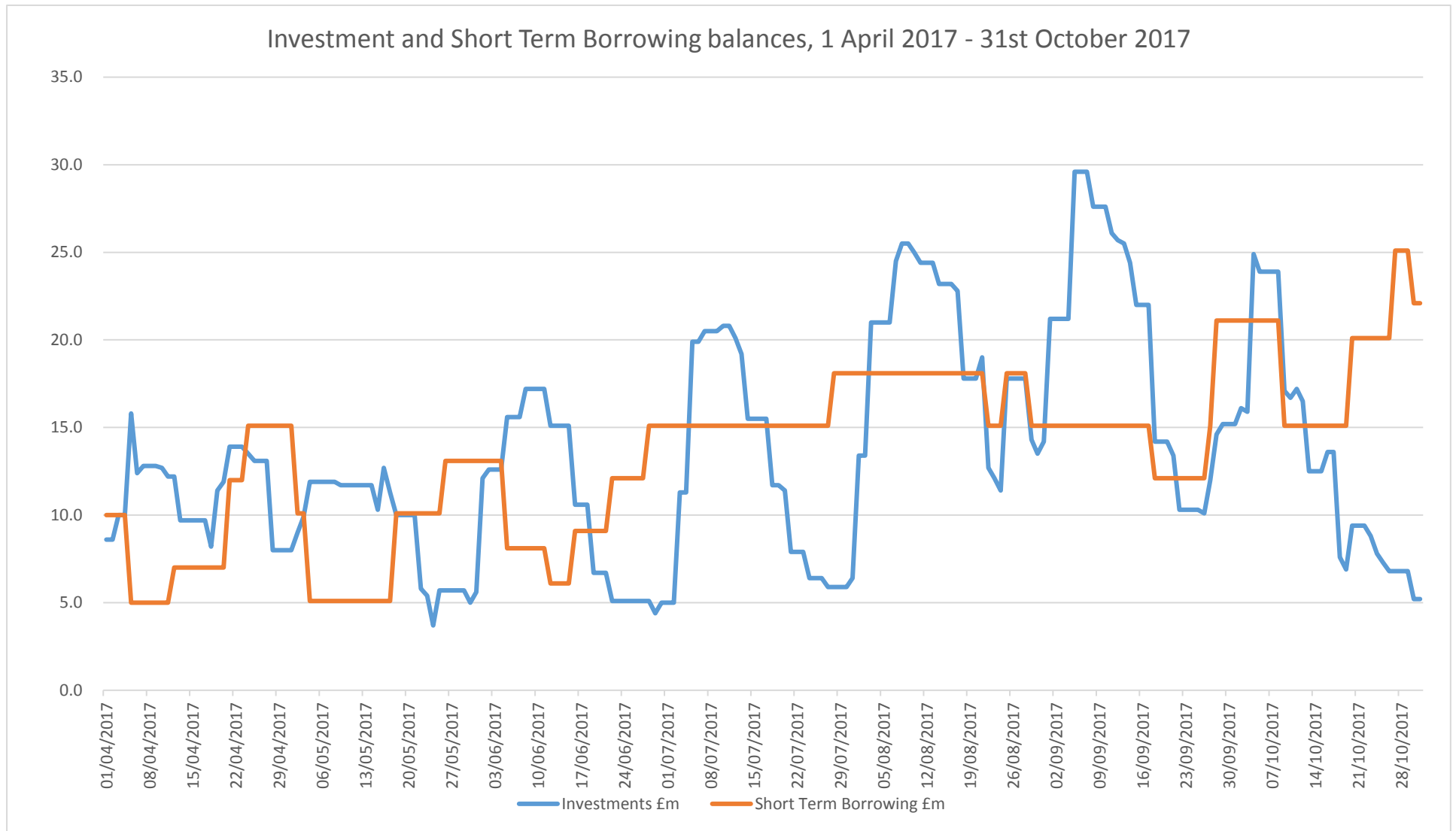
**APPENDIX 4**

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	22.1	100%		19	3.1	
<b>Total (£)</b>	<b>22.1</b>		<b>0.0</b>	<b>19.0</b>	<b>3.1</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>0%</b>	<b>86%</b>	<b>14%</b>	<b>0%</b>



Appendix 5

Tudalen 41



Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 5



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 22 November 2017
<b>Report Subject</b>	Use of Consultants
<b>Cabinet Member</b>	Leader of the Council
<b>Report Author</b>	Chief Executive
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

Corporate Resources Overview & Scrutiny Committee received a report in July 2016 which demonstrated how value for money was being obtained from the small number of consultants being engaged at a value of £25,000 or more.

The Audit Committee Forward Work Programme includes an annual review of compliance with the new processes in place to ensure effective management of consultancy spend.

This report considers compliance with processes and procedures around consultancy spend, and the accuracy of coding of consultancy spend on the general ledger, as passed issues reported to Committee. It also provides an evaluation of the work, value and impact obtained from the small number of consultants being engaged at a value of £25,000 or more in 2016/17.

### RECOMMENDATIONS

1	That the Committee be assured that expenditure on consultants is being controlled and the Council is achieving value for money.
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## **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, based on the completion of business cases for all consultancy engagements.</p> <p>A review of compliance with the new processes and procedures was undertaken in mid-2016. A report was presented to the Committee in July 2016 which demonstrated the new system had been effective in identifying spend on consultants and ensuring the authorisation and monitoring of spend.</p>
1.02	<p>The Council's transformation programmes at corporate and service level are principally designed and implemented within our own resources with consultants engaged sparingly.</p>
<b>1.03</b>	<b>Controls around Consultancy Spend</b>
1.04	<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, 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 must 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 learning for adoption within the Council.</p> <p>The spend on the general ledger is reviewed on a quarterly basis to ensure consultancy costs have been appropriately coded (see 5.01).</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>1.05</b>	<b>Consultancy Business Cases 2016/17</b>															
1.06	<p><b>Table 1: Consultancy Business Cases approved in 2016/17</b></p> <table border="1"> <thead> <tr> <th><b>Consultant</b></th> <th><b>Project</b></th> <th><b>Value £</b></th> </tr> </thead> <tbody> <tr> <td>Deloitte</td> <td>Review of Fees &amp; Charges</td> <td>£40,744.00</td> </tr> <tr> <td>Integra</td> <td>Masterpiece Migration / ADM</td> <td>£21,250.00</td> </tr> <tr> <td>Yewbarrow Ltd</td> <td>P2P ADM/ Orgs</td> <td>£19,800.00</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>£81,824.00</b></td> </tr> </tbody> </table> <p>Footnote 1: the above figures represent the total costs incurred and expenditure committed to date for consultancy engagements approved in 2016/17.</p>	<b>Consultant</b>	<b>Project</b>	<b>Value £</b>	Deloitte	Review of Fees & Charges	£40,744.00	Integra	Masterpiece Migration / ADM	£21,250.00	Yewbarrow Ltd	P2P ADM/ Orgs	£19,800.00	<b>Total</b>		<b>£81,824.00</b>
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<b>Total</b>		<b>£81,824.00</b>														
1.07	<p>The July 2016 report to the Corporate Resources Overview &amp; Scrutiny Committee showed spend against consultancy engagements approved in 2015/16 of £484,522.</p> <p>The higher levels of consultancy spend in 2015/16 reflected the external support required to assist the Council through a period of major and intensive organisational change. A number of the Council's transformation programmes have now come to an end with a lower level of demand for consultants in 2016/17 as a result.</p>															
<b>1.08</b>	<b>'Live' consultancy engagements 2017/18</b>															
1.09	There is currently one 'live' piece of new consultancy work within the People and Resources portfolio area (Service Manager Reward Review) at an estimated cost of £30 - £35k, the business being for the review and maintenance of the pay and grading structure with external and independent advice.															
<b>1.10</b>	<b>Accuracy of Coding of Consultancy Spend</b>															
1.11	<p>The Finance Team monitor consultancy spend on the general ledger on a quarterly basis to ensure spend has been appropriately coded and is supported by an approved Business Case. All anomalies are raised and resolved with the service, with miscoded spend transferred to the appropriate general ledger code as required.</p> <p>In addition, expenditure is monitored by both individual budget managers as part of the monthly revenue budget monitoring process, providing additional assurance around the accuracy of coding and 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 Finance during 2016/17 and are satisfied these processes are robust and consultancy spend recorded on the general ledger is accurate.</p>															

<b>1.12</b>	<b>Compliance with Processes &amp; Procedures</b>												
1.13	<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 2016/17 and, where needed additional business cases had been submitted for those engagements which have exceeded the agreed value on the initial case.</p> <p>Internal Audit also confirm that the post assignment review sections of consultancy business cases have been completed for all 2016/17 consultancy engagements which have come to an end ensuring appropriate consideration of value for money, consultant performance and skills transfer at the end of the engagement.</p>												
<b>1.14</b>	<b>Consideration of Value for Money</b>												
1.15	<p>Only one consultancy engagement in 2016/17 exceeded £25,000 in value. The consideration of whether value for money has been achieved 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> <p>The following table provides a value for money judgement for the one engagement which exceeds £25,000.</p> <table border="1" data-bbox="300 1115 1353 2094"> <thead> <tr> <th colspan="3" data-bbox="300 1115 1353 1153"><b>Value for Money</b></th> </tr> <tr> <th data-bbox="300 1153 651 1294"><b>Consultancy /Purpose</b></th> <th data-bbox="651 1153 1002 1294"><b>Procurement Process</b></th> <th data-bbox="1002 1153 1353 1294"><b>Achievement of Objectives</b></th> </tr> <tr> <td data-bbox="300 1294 651 2094"></td> <th data-bbox="651 1294 1002 2094"><b>Time &amp; Budget</b></th> <td data-bbox="1002 1294 1353 2094"></td> </tr> </thead> <tbody> <tr> <td data-bbox="300 1294 651 2094"> <p><b>Deloitte</b></p> <p>To provide specialist advice, support and independent challenge to review of the current methodology, fee rates for various services and the Councils income generation strategy.</p> </td> <td data-bbox="651 1294 1002 2094"> <p>Procured through a competitively tendered process using the Bloom framework contract (previously known as NEPRO).</p> <p>The consultant was procured to provide specialist advice, support and independent challenge to the Councils income generation and fees including ensuring full cost recovery.</p> <p>They conducted a review of the current methodology, fee rates for various services and the Councils income generation strategy and</p> </td> <td data-bbox="1002 1294 1353 2094"> <p>The intention of the commission was to review existing income generation and compare with other areas to maximise potential. This was achieved.</p> <p>The report identified potential shorter term income opportunities between £543k – £957k and longer term opportunities of £2,957k – £3,820k of income.</p> <p>An Income Generation Policy is now in place and a suite of fees and charges analysers are available to allow the council to benchmark performance against</p> </td> </tr> </tbody> </table>	<b>Value for Money</b>			<b>Consultancy /Purpose</b>	<b>Procurement Process</b>	<b>Achievement of Objectives</b>		<b>Time &amp; Budget</b>		<p><b>Deloitte</b></p> <p>To provide specialist advice, support and independent challenge to review of the current methodology, fee rates for various services and the Councils income generation strategy.</p>	<p>Procured through a competitively tendered process using the Bloom framework contract (previously known as NEPRO).</p> <p>The consultant was procured to provide specialist advice, support and independent challenge to the Councils income generation and fees including ensuring full cost recovery.</p> <p>They conducted a review of the current methodology, fee rates for various services and the Councils income generation strategy and</p>	<p>The intention of the commission was to review existing income generation and compare with other areas to maximise potential. This was achieved.</p> <p>The report identified potential shorter term income opportunities between £543k – £957k and longer term opportunities of £2,957k – £3,820k of income.</p> <p>An Income Generation Policy is now in place and a suite of fees and charges analysers are available to allow the council to benchmark performance against</p>
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		<p>resulted in a report identifying areas where we can recover cost and maximise income generating opportunities.</p> <p>Contract was completed on time and within the agreed cost of £40,744.</p>	<p>other areas or identify areas for further development.</p> <p>All objectives were met and added value achieved through access to analysers for benchmarking. This work is contributing to the achievement of the efficiency programme and MTFS.</p>
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<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	All 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	<p>Background papers held by the Corporate Finance Manager and the Internal Audit Manager.</p> <p><b>Contact Officer: Joanne Pierce</b>  <b>Telephone: 01352 702106</b>  <b>E-mail: <a href="mailto:joanne.pierce@flintshire.gov.uk">joanne.pierce@flintshire.gov.uk</a></b></p>

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



# Eitem ar gyfer y Rhaglen 6



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 22 November 2017
<b>Report Subject</b>	Financial Procedure Rules
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to, part of this process is the establishment of financial procedures that set out the financial policies of the Authority.

The Council's FPR's were last updated and approved by Council on 22 July 2015 where they were fully revised and modernised to reflect the CIPFA guidance on financial regulations.

The FPR's have been fully reviewed in 2017 in consultation with the relevant service managers and the Chief Officer Team and various minor changes made to reflect updated procedures and service delivery methods which are summarised in paragraph 1.07.

### RECOMMENDATIONS

1	That Audit Committee endorse the updated Financial Procedure Rules and recommend they are submitted to Council.
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## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE FINANCIAL PROCEDURE RULES (FPR's)</b>
1.01	Section 151 of the Local Government Act 1972 and the Accounts and Audit (Wales) Regulations require the Council to make arrangements for the proper administration of its financial affairs.
1.02	To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to, part of this process is the establishment of financial procedures that set out the financial policies of the Authority.
1.03	The FPR's are split into six main sections:  <ol style="list-style-type: none"><li>1. Status of Financial Regulations</li><li>2. Financial Management – General roles and responsibilities</li><li>3. Financial Planning</li><li>4. Risk Management and Control of Resources</li><li>5. Financial Systems and Procedures</li><li>6. External Arrangements</li></ol>
1.04	The Council's FPR's were last updated and approved by Council on 22 July 2015 where they were fully revised and modernised to reflect the CIPFA guidance on financial regulations.
1.05	The Financial Procedure Rules (FPR's) state that an annual review should take place each year and each individual rule will be reviewed at least every two years and that the outcome of each review will be reported to Council, along with any recommendations for changes.
1.06	The FPR's have been fully reviewed in 2017 in consultation with the relevant service managers and the Chief Officer Team and various minor changes made to reflect updated procedures and service delivery methods.
1.07	The main changes to the following sections are:  <ol style="list-style-type: none"><li>3.2 Budgets and Medium Term Planning – changes to reflect the status of Medium Term Financial Strategy.</li><li>3.3 Budgetary Control – refers to the responsibilities of Chief Officers and Collaborative Planning.<ol style="list-style-type: none"><li>3.3.2 Virement amount changed from £75,000 to £100,000.</li></ol></li><li>4.5 Treasury Management – to ensure compliance with current legislation.</li><li>4.6 Imprest Accounts – changed to tighten controls.</li><li>5.3 Ordering of Goods and Services – reflects automated P2P system</li><li>5.4 Payments to employees and members – reviewed to ensure controls are relevant.</li></ol>

1.08	A summary of the FPR's will also be available which is intended to be an easy guide for budget holding managers and other staff. This will include practical advice and references to more detailed information when requested.
1.09	<b>Next Steps</b>  The Financial Procedure Rules will be considered by Constitution Committee on 30 November prior to County Council in December.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly arising from the report although the implementation of the FPR's ensure robust, consistent financial processes across the Authority.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The proposed changes have been prepared in consultation with the Chief Officer Team, Corporate Finance Management Team and Internal Audit.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None directly arising from the report although the FPR's contribute to minimising financial risks across the Council.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Financial Procedure Rules and Glossary

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Gary Ferguson <b>Telephone:</b> 01352 702271 <b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	See Appendix 2 of report

Mae'r dudalen hon yn wag yn bwrpasol

# Flintshire County Council

## Financial Procedure Rules

Revised 2017

# Contents

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

# 1. Status of Financial Regulations

## 1.1 What are Financial Procedure Rules?

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

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

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

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

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

In addition, the Council holds the following statutory posts:

The Head of Paid Service is the Chief Executive

The Chief Finance Officer is the Corporate Finance Manager

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

The Monitoring Officer is the Chief Officer (Governance)

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

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

## **1.2 Why are they important?**

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

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

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

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

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

## **1.3 Who do Financial Procedures apply to?**

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

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

1.3.3. These Financial Procedures shall apply in relation to any partnership for which the Council is the accountable body, unless the Council expressly agrees otherwise. Where services are provided via an 'Alternative Delivery Model', specific financial procedures will be incorporated into the individual models.

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



## **1.4 Who is responsible for ensuring that they are applied?**

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

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

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

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

## 2. Financial Management – General Roles and Responsibilities

### The Role of the Full Council

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

### 2.2 The Role of the Cabinet

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

### 2.3 The Role of the Chief Finance Officer

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

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

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

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

- f) Making recommendations to the Cabinet and Council for the preparation of the revenue budget and capital programme.
- g) Preparing the approved revenue budget and capital programme.
- h) Treasury management.

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

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

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

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

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

Section 114 of the 1988 Act also requires:

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

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

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

## **2.4 The Role of Chief Officers**

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

2.4.2 Chief Officers are responsible for:

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

# 3. Financial Planning

## 3.1 Strategic Planning

### Why is this important?

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

### Key Controls

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

### Responsibilities of the Chief Finance Officer

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

### Responsibilities of the Chief Officers

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

## **3.2 Budgets and Medium Term Planning**

### **Why is this important?**

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

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

The MTFS uses detailed intelligence led forecasting to estimate available resources, investment needs linked to the Authority's Council Plan and priorities, demand and externally led cost pressures and opportunities for efficiencies / savings for both revenue services and the capital programme over the medium term. The MTFS enables the gap between forecast funding levels and resource requirements to be identified over the medium term.

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

### **Responsibilities of the Chief Finance Officer**

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

## Responsibilities of the Chief Officers

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

## 3.3 Budgeting

### 3.3.1 Revenue Budget

#### Why is this important?

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

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

#### Key Controls

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

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

## **Responsibilities of the Chief Finance Officer**

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

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

## **Responsibilities of the Chief Officers**

- a) To maintain budgetary control within their departments and ensure that all income and expenditure are properly recorded and accounted for.
- b) To ensure that an accountable budget manager is identified for each area of income and expenditure under the control of the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision making that commits expenditure
- c) Ensure that Managers and all staff understand their financial responsibilities.
- d) Ensure that budget managers follow the monthly budget monitoring procedures when using Collaborative Planning (CP) system.



- e) To prepare annual service plans linked to the Council Plan identifying any budgetary implications for inclusion in the Medium Term Financial Plan for Member consideration.
- f) To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast. Variances in excess of £50k should be reported with an explanation to the Chief Finance Officer.
- g) Prepare budget action plans where a significant overspend is forecast. The action plan should identify how expenditure will be brought back into line with budget, either by taking corrective action, or through the proposed use of compensating savings elsewhere in their budget.
- h) Report areas of forecast under spend, along with the implications for future years, for corporate consideration of where any available resources should be re-allocated. The use of budget savings other than in accordance with the approved budget is not permitted without Cabinet approval.
- i) Consult with the Chief Finance Officer and seek advice on further action to be taken before any commitments are incurred, where these are not covered by the Council's approved budget.
- j) Report significant variations from budget to the Chief Finance Officer, who will report the position and any budget actions plans in the overall budget monitoring report to Cabinet. In certain circumstances it may be that the significance of the variance requires a separate report to Cabinet for consideration or approval. The report will outline the reasons for the projected variance, the implications for future years' budgets, along with the budget action plan to bring expenditure in line with the budget.
- k) Budget action plans will be monitored by the relevant Chief Officer who will notify the Chief Finance Officer should it emerge that a budget action plan will fail to prevent an overspend. The Chief Finance Officer will report the position to Cabinet.
- l) In exceptional cases submit reports to the Cabinet and to the Authority, in consultation with Chief Finance Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control, requesting a supplementary budget allocation for the current financial year only.
- m) Nothing in the Financial Procedure Rules shall prevent expenditure being incurred which is essential to meet any immediate needs arising from an emergency, including any expenditure under Section 155 of the Local Government and Housing Act 1989 (Emergency Financial Assistance Scheme, formerly known as the "Belwin" scheme). Such action shall only be taken after consultation with the Chief Finance Officer, and any such

expenditure must be reported retrospectively to the Cabinet, and the funding for such expenditure must be agreed as soon as possible.

- n) To ensure compliance with the scheme of virement.

### 3.3.2 Budget Virements/Accounting Adjustments

#### Why is this important?

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

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

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

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

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

Formal Virements in excess of £100,000 (this includes cumulative amounts over £100,000) should be submitted to Cabinet for Approval.

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

Overall control of budget transfers is undertaken within the Strategy, Accounting and Systems team which tracks the movements as part of the budget monitoring process

and also ensures that any virements that change the purpose of the funding are subject to the relevant approval.

The Corporate Finance Manager as Section 151 officer for the Council has a legal responsibility to ensure the proper management of the Councils financial affairs and is content that the rules and procedures in place governing the virement of budget are adequate.

### **Key Controls**

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

### **Responsibilities of the Chief Finance Officer**

- a) Ensure that budget virements in excess of £100,000 (cumulative) are submitted to Cabinet for approval.
- b) Where there are policy implications for the Council ensure that Cabinet approval is obtained where it is proposed to vire between budgets of different Cabinet Portfolio holders or vire between budgets managed by different Chief Officers.
- c) Where there are implications to the policy framework submit a joint report with the relevant Chief Officer.

### **Responsibilities of the Chief Officers**

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

## **3.4 Capital Programmes**

### **Why is this important?**

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

## Key Controls

The key controls for capital programmes are:

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

## Responsibilities of the Chief Finance Officer

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

## Responsibilities of the Chief Officers

- a) To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer
- b) To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.
- c) To prepare regular reports reviewing the capital programme provisions for their services

- d) To ensure that adequate records are maintained for all capital contracts
- e) To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- f) To ensure that credit agreements such as leasing agreements are not entered into without the agreement of the Chief Finance Officer (via the Treasury Management Team) and if applicable approval of the scheme through the capital programme.
- g) To ensure that for the purchase of all items which are not brand new that a Hire Purchase Information (HPI) check has been undertaken to ensure that there is no outstanding finance.

### **3.5 Maintenance of Reserves**

#### **Why is this important?**

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

#### **Key Controls**

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

The Councils Reserves protocol must be adhered to by all officers to ensure the controls governing reserves are followed.

#### **Responsibilities of the Chief Finance Officer**

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

#### **Responsibilities of the Chief Officers**

To ensure that resources are used only for the purposes for which they were intended. To ensure the Reserves Protocol is followed.

# 4. Risk Management and Control of Resources

## 4.1 Risk Management

### Why is this important?

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

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

### Key Controls

The key controls for risk management are:

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

## **Responsibilities of the Chief Finance Officer**

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

## **Responsibilities of the Chief Officers**

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

## **4.2 Internal Controls**

### **Why is this important?**

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

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

- The Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.

- Compliance with all applicable statutes and procedure rules, and other relevant statements of best practice.

## **Key Controls**

The key controls and objectives for internal control systems are:

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

## **Responsibilities of the Chief Finance Officer**

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

## **Responsibilities of the Chief Officers**

- a) To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- b) To be responsible for having in place procedures to ensure that established controls are being adhered to and for evaluating their effectiveness. Chief Officers are required to periodically assess their systems of internal control to ensure that they are adequate to manage the risks associated with the service. They are also required to undertake such reviews when material changes are to be made either to structures or to working practices. This requirement applies equally to those arrangements in which the Authority has a partnership relationship with a third party.
- c) Assess, at least once a year, the effectiveness of the systems of internal control, in line with current Accounts & Audit (Wales) Regulations.
- d) Provide appropriate information to the Corporate Governance Working Group to enable the Annual Governance Statement to be included within the financial statements, as required.



- e) Review existing controls in the light of changes affecting the Authority and establish and implement new controls as necessary. Also remove controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- f) Ensure that staff have a clear understanding of all procedures, and of the consequences of lack of control.

### **4.3 Audit Requirements – Internal Audit**

#### **Why is this important?**

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

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

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

#### **Key Controls**

The key controls for internal audit are:

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

#### **Responsibilities of the Chief Finance Officer**

To ensure that an effective Internal Audit function is resourced and maintained. Under Section 151 the local authority should 'make arrangements for the proper administration of their financial affairs'. Proper administration includes compliance with the statutory requirements for accounting and internal audit.

## Responsibilities of the Chief Officers

Chief Officers will:

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

- (i) Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation, to ensure that control issues are fully considered and complied with.

## **4.4 Security of Assets**

### **Why is this important?**

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

### **Key Controls**

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

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

### **Responsibilities of the Chief Finance Officer**

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

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

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

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

## Responsibilities of the Chief Officers

- a) Ensure that records and assets are properly maintained and securely held.
- b) The corporate property function resides within the Organisational Change Portfolio, with property records maintained by Valuation and Estates Services in conjunction with Legal.
- c) The Chief Officer Governance, in consultation with the Chief Officer for Organisational Change, shall maintain a register of:
  - All lands and properties owned by the Authority (with the exception of dwellings provided under the Housing Acts) in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference, purchase details, particulars of all interests, tenancies granted and rents receivable.
  - All lands and properties leased to the Authority in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference and lease rental payment details.
- d) The Chief Officers (Planning and Environment and Organisational Change) will arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer and, in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC).
- e) The Legal Services Manager shall have custody of all title deeds and will put in place secure arrangements for this.
- f) The Chief Officer Community & Enterprise shall maintain a record of all dwellings provided under the Housing Acts in a form agreed with the Chief Finance Officer.
- g) Chief Officers shall be responsible for maintaining proper security and confidentiality of all financial and related information in the Chief Officer's possession including complying with the requirements of the Authority's Information Security Policy, Data Protection Act, (General Data Protection Regulation – May 2018 GDPR) the Computer Misuse Act and any subsequent legislation.

h) Chief Officers must ensure that:

- All staff are aware of their responsibilities with regard to safeguarding the Authority's assets and the protection and confidentiality of information, whether held in manual or computerised records, including the requirements of the Data Protection Act (GDPR May 2018) and software copyright legislation.
- All staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's computer, portable storage media acceptable usage, e-mail and internet security policies.
- Arrangements are in place for the proper security and safe custody of all buildings, vehicles, equipment, furniture, stock, stores and other assets under their control.
- Lessees and other prospective occupiers of authority land or buildings are not allowed to take possession or enter the land or building until a lease or legal agreement, in a form approved by the Chief Officer Governance in consultation with the Chief Finance Officer, has been established as appropriate.
- Where land or buildings are surplus to requirements, a recommendation for sale is the subject of a report by the Chief Officer, or where action is taken under delegated powers this is reported to the Cabinet.
- Each Chief Officer maintains a register of assets with a value of over £500 which are moveable or desirable assets. The register should list the asset, location recorded, and that they are appropriately marked and insured.
- Cash holdings on premises are kept to a minimum and shall not exceed such limit as the Chief Finance Officer may prescribe, and that the arrangements for such cash holdings have been agreed with Internal Audit. Each Chief Officer must, in consultation with the Chief Finance Officer ensure safe and efficient cover for cash in transit.
- Keys to safes and similar receptacles are carried in the possession of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible. All official keys of buildings, alarms and secure places shall be securely maintained at all times using a designated key tagging system by the individual responsible for their custody. If not held on the person of the individual responsible for their custody, they should be held under secure arrangements. The loss of any such keys shall be reported to the Chief Finance Officer immediately.
- Assets are only used in the course of the Authority's business, unless the Chief Officer concerned has given permission, in writing, for personal use by an employee.

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

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

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

## **4.5 Treasury Management**

### **Why is this important?**

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

### **Key Controls**

That the authority's borrowing and investments comply with the CIPFA Code: Treasury Management in Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition), Welsh Government (WG) guidance on local authority investments and the authority's Treasury Management Strategy.

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

### **Responsibilities of the Chief Finance Officer**

- a) Ensure that the Authority has an annual Treasury Management Strategy which fulfils the Council's legal obligation under the Local Government Act 2003 and to have regard to both the CIPFA code and the WG guidance.
- b) The Chief Finance Officer will operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Chief Finance Officer. Heads of Service will follow the instructions on banking issued by the Chief Finance Officer.
- c) The Chief Finance Officer will act as the Authority's registrar of stocks, bonds and mortgages and maintain records of all borrowing of money by the Authority.



## **Responsibilities of the Chief Officers**

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

## **4.6 Imprest Accounts**

### **Responsibilities of the Chief Finance Officer**

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

## Responsibilities of the Chief Officers

Ensure that a business case is submitted to the Chief Finance Officer for any new Imprest Account. Payments shall be limited to minor items of expenditure up to a general individual limit of £50.

Ensure that employees operating an imprest account:

- (a) Obtain and retain receipts/invoices and vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained in order to ensure the correct recovery of VAT as per Her Majesty's Revenue and Customs (HMRC) regulations.
- (b) Ensure reimbursement claims are signed by the claimant and one authorising signatory. Imprest controllers must ensure that two authorising signatories are obtained where there are no valid receipts/invoices to support the expenditure.
- (c) Make adequate arrangements for the safe custody of the account.
- (d) Produce upon demand by the Chief Finance Officer cash and all receipts/invoices and vouchers to the total value of the imprest amount.
- (e) Record transactions promptly.
- (f) Reconcile and balance the account at least monthly irrespective of the frequency of reimbursement claims. Reconciliation sheets are to be signed by the imprest holder and two authorising signatories and placed on file.
- (g) The Imprest holder shall not allow the account to become overdrawn. It shall be a standing instruction to the Authority's bankers or approved agency that the amount of any overdrawn balance on a Petty Cash Imprest holder's bank account be reported to the Chief Finance Officer.
- (h) Provide the Chief Finance Officer with a certificate of the value of the imprest account/float at the date requested by the Chief Finance Officer.
- (i) Ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (j) Ensure that payments are never made to individuals, contractors, consultants, casual staff or self-employed persons. The exceptions are where incentive bonus payments are made to service users in Social Services Day Opportunities and payments are made to residents from deputyship monies. Payments can be made from petty cash and then coded appropriately to the correct budget. In the case of deputyship, this is then reclaimed from personal monies.

- (k) Where emergency loans are made to service users, Officers will comply with the Monitoring and Recovery of Loans Procedure.
- (l) On leaving the Authority's employment or otherwise ceasing to be entitled to hold or be a signatory for an imprest account inform the Chief Finance Officer so that arrangements can be made to close the account or transfer to another authorised Officer.

## **4.7 Staffing**

### **Why is this important?**

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

### **Key Controls**

The key controls for staffing are:

- a) An appropriate workforce strategy and policy exists in which staffing requirements and budget allocations are matched
- b) Procedures are in place for forecasting staffing requirements and cost
- c) Controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority
- d) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy

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

### **Responsibilities of the Chief Finance Officer**

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

### **Responsibilities of the Chief Officers**

The Senior Manager (HR & OD) will act as an advisor to a Chief Officer on Human Resources (HR) policies.

Chief Officers will:

- (a) Ensure that budget provision exists for all existing and new employees.
- (b) Monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

- (c) Ensure that the staffing budgets are not exceeded without due authority and that they are managed to enable the agreed level of service to be provided.
- (d) When reporting to the Cabinet or Authority on any matter which has, or is liable to have, staffing / HR implications, the Chief Officer shall, in consultation with the Chief Finance Officer and the Senior Manager (HR & OD), incorporate into the report both the staffing / HR and financial implications of the matter under discussion.
- (e) Maintain a register of interests, in which any hospitality or gifts accepted, must be recorded:
  - In compliance with the Flintshire County Authority Code of Conduct for Local Government Employees, no employee of the Authority shall accept any fee, gift or reward which is intended as, or might be construed as, an inducement to influence that employee in the execution of that employee's duties.
  - The offer of any such fee, gift or reward shall be reported immediately by the employee concerned to the appropriate Chief Officer, and shall be recorded in the register of gifts and hospitality.

The Senior Manager (HR & OD) will ensure that this policy will be reflected in the HR Policies and other policies, as relevant, of the Authority.

# 5. Financial Systems and Procedures

## 5.1 General

### Why is this important?

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

### Key Controls

The key controls for systems and procedures are:

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

### Responsibilities of the Chief Finance Officer

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

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

### Responsibilities of the Chief Officers

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

- c) To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original documents and vice versa is maintained
- d) To incorporate appropriate controls to ensure where relevant that all input is genuine, complete, accurate, timely and not previously processed. All processing is carried out in an accurate, complete and timely manner and output from the system is complete, accurate and timely.
- e) To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice
- f) To ensure there is a documented and tested disaster recovery plan to allow for information system processing to resume quickly in the event of an interruption
- g) To ensure that systems are documented and staff trained in operations.
- h) To consult with the Chief Finance Officer before changing any existing system or introducing new systems
- i) To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations and showing the limits of their authority.
- j) To supply lists of authorised officers, with specimen signatures and delegated limits to the Chief Finance Officer and any subsequent variations
- k) To ensure that where appropriate, computer systems are registered in accordance with current data protection legislation and that staff are aware of their responsibilities under the legislation. The law around data protection is changing, the General Data Protection Regulation (GDPR) will apply in the UK from 25th May 2018 and will replace the current Data Protection Act (DPA).

## 5.2 Income and Expenditure

### Why is this important?

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

### Key Controls

The key controls for income are:

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

should be separated from that of identifying the amount due and for reconciling the amount due to the amount received.

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

### **Responsibilities of the Chief Finance Officer**

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

## Responsibilities of the Chief Officers

- a) To comply with the Income Generation Policy which has been established to support the provision of setting the Council's fees and charges and annual increases.
- b) Where possible income should be obtained in advance of supplying goods or services to improve the Council's cash flow, to avoid the time and cost of administering debts, and to reduce the risk of non-collection, particularly for low value items.
- c) No Sundry debt invoices with a value of less than £40, with the exception of invoices relating to peppercorn rents, licenses or leases in connection with the occupation of council land or property shall be raised without the approval of the Chief Finance Officer.
- d) To separate the responsibility for identifying amounts due and the responsibility for collection
- e) To initiate appropriate debt recovery procedures in accordance with the Corporate Debt policy
- f) To issue official receipts or to maintain other documentation for income collection
- g) To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- h) To lock away all income to safeguard against loss or theft and to ensure the security of cash handling
- i) To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received
- j) To ensure income is not used to cash personal cheques or other payments
- k) To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the authority and to ensure accounts are sent out promptly. If possible all invoices should be raised within 5 working days of the provision of goods or services or at the earliest opportunity.



- l) Have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- m) To recommend to the Chief Finance Officer all debts to be written off and keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled except by full payment or by it being subject to formal writing off.
- n) Ensure that levels of cash held on the premises do not exceed approved limits.
- o) Keep a record of every transfer of cash between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy. Every transfer of cash shall be made direct by hand and not through the internal or external post (unless by prior approval from the Chief Finance Officer).
- p) To obtain the approval of the Chief Finance Officer when writing off debts in excess of the approved limit and the approval of Cabinet where required.

### **5.3 Ordering and paying for work, goods and services**

#### **Why is this important?**

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

#### **General**

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

Official orders must be submitted in advance via the Purchase to Pay system (P2P). No retrospective orders should be placed. Official orders must be issued for all work, goods or services to be supplied to the authority except for petty cash purchases or other exceptions specified by the Chief Finance Officer.

Each order must conform to the guidelines approved by the full authority on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.

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

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

## **Key Controls**

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

- a) All goods and services are ordered only by appropriate persons and are correctly recorded
- b) All goods and services shall be ordered in accordance with the authority's contract procedure rules
- c) All orders are submitted via Purchase to Pay (P2P) and placed in advance of the relevant work, goods services or works being supplied.
- d) Goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
- e) Payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards
- f) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- g) All appropriate evidence of transaction and payment documents are retained and stored for the defined period in accordance with the document retention schedule.
- h) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions corrected.
- i) The effect of electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

## **Responsibilities of the Chief Finance Officer**

- a) To ensure that all the authority's financial systems and procedures are sound and properly administered.
- b) All procurement activities (ordering or goods, services and works) will be undertaken on the Council's approved Purchase to Pay (P2P) system.
- c) To approve any changes to existing financial systems and to approve any new systems before they are introduced
- d) To approve the form of official orders and associated terms and conditions

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

### **Responsibilities of the Chief Officers**

- a) To ensure that upfront electronic orders using the Purchase to Pay (P2P) system are placed for all goods and services other than petty cash purchases and any other exemptions specified by the Chief Finance Officer.
- b) To ensure that orders are only used for goods and services provided to the Portfolio. Individuals must not order goods or services for their private use
- c) To ensure that only those staff authorised by the Chief Officer approve orders and to maintain an up to date list of such authorised staff including specimen signatures identifying in each case the limits of their authority. The list should be reviewed annually. Names of authorising Officers together and details of the limits of their authority shall be forwarded to the Chief Finance Officer and any subsequent amendments incorporated into the P2P system
- d) The authoriser of the order should be satisfied that the goods and services ordered are appropriate and that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the authority's approach to procurements. Value for money should always be achieved.
- e) To ensure that all expenditure, including VAT, is accurately recorded against the correct budget head and any exceptions are corrected. If it is deemed that a budget amount has been incorrectly allocated, a Chief Officer will request a journal adjustment. Under no circumstances will the expenditure be incorrectly coded in order to match the expenditure with an incorrect budget allocation.

- f) Each Chief Officer shall be responsible for all orders issued from, or on behalf of, his or her Portfolio. Where one Chief Officer places an order on behalf of another, that Chief Officer shall obtain the latter's consent in advance.
- g) To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should where possible be carried out by a different officer from the person who authorised the order.
- h) To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment confirming:
- Receipt of goods or services
  - That the invoice has not been previously paid
  - That expenditure has been properly incurred and is within budget provision
  - That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
  - Correct accounting treatment of tax
  - That discounts have been taken where available
  - That appropriate entries will be made in accounting records
- f) To ensure that two authorised members of staff are involved in the ordering, receiving and payment process and appropriate segregation of duties are maintained at each stage.
- g) To ensure that the Portfolio maintains and reviews periodically a list of staff approved to authorise the invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Chief Finance Officer
- h) To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice
- i) To encourage suppliers of goods and services to receive payments by the most economical means for the authority. Payments made by direct debit must have the prior approval of the Chief Finance Officer.
- j) To ensure that the directorate obtains the best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality with regard to best value principles and contract procedure rules
- k) To ensure that loans, leasing or rental arrangements are not entered into without prior agreements from the Chief Finance Officer.
- l) To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.

- m) To notify the Chief Finance Officer immediately of any expenditure incurred as a result of statute/court order where there is no budgetary provision
- n) To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the document retention schedule.

## **5.4 Payments to employees and members**

### **Why is this important?**

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

### **Key Controls**

The key controls for payments to employees and members are:

- a) Proper authorisation procedures are in place and that there are corporate timetables in relation to starters, leavers and variations to pay.
- b) Frequent reconciliation of payroll expenditure against approved budget and bank account.
- c) All appropriate payroll documents are retained and stored for the defined period in accordance with the retention schedule.
- d) Compliance with HMRC and other statutory regulations.
- e) All claims for payment of financial loss, attendance, travelling, subsistence and car allowances and other incidental expenses paid for by the claimant, shall be completed and signed by the claimant in a form approved by the Corporate Finance Manager or Senior Manager, HR & OD as appropriate.
- f) The off-payroll (IR35) working rules are in place to ensure that where an individual would have been an employee if they were providing their services directly, their payments are processed via payroll.

### **Responsibilities of the Corporate Finance Manager**

The Corporate Finance Manager or Senior Manager, HR & OD as appropriate will:

- a) Arrange and control secure and reliable payment of salaries, pensions, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- b) Record and make arrangements for the accurate and timely payment to all appropriate statutory and non statutory bodies including Pay as you Earn (PAYE), pensions and other payroll deductions.
- c) Make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- d) Make arrangements for paying Members' under the Members Allowances Scheme and the Members Travel and Subsistence Scheme, which will be maintained by the Corporate Finance Manager or Senior Manager, HR & OD as appropriate.
- e) Ensure that there are adequate arrangements for administering pension scheme matters on a day-to-day basis.
- f) Maintain a list of all officers who are approved to authorise any payroll related records as notified by the relevant Chief Officer. This shall be reviewed on a regular basis. Chief Officers must communicate any changes as soon as they are known.
- g) Implement pay agreements as soon as possible after their notification from the appropriate body and process increments. Arrangements for funding such awards will be determined each year as part of the budgetary process.
- h) Retain for each employee, a copy of contracts and terms and engagements together with sufficient information to identify service, salary scale and current amount payable and absences from duty (apart from approved leave).

### **Responsibilities of the Chief Officers**

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

- b) To ensure that claims are submitted to the Corporate Finance Manager or Senior Manager, HR & OD as appropriate for payment within the specified timescale. Ensure appointments are made in accordance with the Procedure Rules of the Council and approved establishments, grades, scale of pay and that adequate budget provision is available.
- c) Notify the Corporate Finance Manager or Senior Manager, HR & OD as appropriate of all appointments, terminations (resignations, dismissals) or variations (secondments, transfers, absences from duty through sickness or other reasons apart from approved leave, changes in remuneration, other than normal increments and pay awards and agreements of general application) which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Corporate Finance Manager or Senior Manager, HR & OD as appropriate.
- d) Ensure that adequate and effective systems and procedures are operated in a form approved by the Senior Manager, HR & OD, so that payments are only authorised to bona fide employees:
- Payments are only made where there is a valid entitlement.
  - Conditions and contracts of employment are correctly applied.
  - Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- e) Provide information necessary to maintain records of service for pensions, income tax, national insurance or other statutory obligations.
- f) Ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Senior Manager, HR & OD.
- g) Ensure that the Senior Manager, HR & OD is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- h) In conjunction with the Senior Manager, HR & OD, maintain an up to date establishment structure and adhere to the Establishment Control Maintenance Process.
- i) The Senior Manager, HR & OD will be responsible for recovering payroll overpayments where the employee continues to have employment with the Council and where the overpayment is £750 or less. A repayment schedule, ensuring repayment is made within the same financial year as the overpayment, will be formally agreed with the employee.

- j) For all payroll overpayments in excess of £750, irrespective of employment status, recovery of the overpayment will be the responsibility of Debt Recovery, ensuring that such overpayments are included within the Council's total debt.
- k) All pay documents shall be, in a manner prescribed by the Senior Manager, HR & OD, certified manually by or on behalf of the appropriate Chief Officer. The names of Officers authorised to certify such documents shall be agreed with, and notified in writing to the Senior Manager, HR & OD by each Chief Officer, who shall provide the Corporate Finance Manager with the specimen signature and initials of each such authorised Officer and any amendments on the occasion they arise.
- l) Chief Officers and the Senior Manager, HR & OD will ensure that all appropriate payroll documents are retained and stored, as required, by the Senior Manager, HR & OD.
- m) No cheque made payable to a Member or Employee will be cashed by the Council, unless it is under a scheme approved by the Corporate Finance Manager and is presented by the person named on the cheque, and duly endorsed.
- n) Members and employees will submit claims for travel and subsistence on a monthly and comply with the Mileage and Expenses Policy. Mileage and Expense claims over three months old will only be paid once a satisfactory written explanation of the late submission has been provided from the relevant Service Manager to the Senior Manager – HR and OD.
- o) Timesheets, Employee Self Service and other documents which are used to generate payment of salaries or other employee related expenses must be on official forms or via authorised electronic inputs. Chief Officers are responsible for ensuring that they are certified by an authorised Certifying Officer.

## 5.5 Taxation

### Why is this important?

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

### Key Controls

The key controls for taxation are:

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



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

### **Responsibilities of the Chief Finance Officer**

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

h) The Chief Finance Officer or Senior Manger HR & OD as appropriate may require from any employee of the Council such information as is necessary for fulfilment of their obligation under this Financial Procedure Rule.

### **Responsibilities of the Chief Officers**

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

### **5.6 Trading Accounts and Business Units**

#### **Why is this important?**

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

Where services are provided via an 'Alternative Delivery Model' (separate legal entities), specific financial procedures will be incorporated into the individual models.

## Responsibilities of the Chief Finance Officer

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

## Responsibilities of the Chief Officers

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

# 6. External Arrangements

## 6.1 Partnerships

### Why is this important?

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

### Key Controls

The key controls for authority partners are:

- a) If appropriate to be aware of their responsibilities under the authority's financial regulations and contract standing orders

- b) To ensure that risk management processes are in place to identify and assess all known risks
- c) To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- d) To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- e) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution

## **General**

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

## **Responsibilities of the Chief Finance Officer**

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

- Resourcing, including taxation and pension issues.
  - Audit, security and control requirements.
  - Carry-forward arrangements.
- d) Ensure that the accounting arrangements are appropriate.

## **Responsibilities of the Chief Officers**

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

## **6.2 External Funding including Grants**

### **Why is this important?**

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

## Key Controls

The key controls for external funding are:

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

## Responsibilities of the Chief Finance Officer

- (a) Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- (b) Ensure that all grant income and associated information is logged on the Corporate Grants Database and adhere to the requirements of the Grant Manual.
- (c) Ensure that audit requirements are met.
- (d) Ensure that match funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

## Responsibilities of the Chief Officers

- a) Ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- b) Ensure that funds are acquired only to meet the priorities approved by the Council in the policy framework.
- c) Ensure that any match-funding requirements are given due consideration and that future revenue budgets reflect these requirements, before entering into long-term agreements.
- d) Ensure that all claims for funds are made by the due date.
  
- e) Ensure that proposals are costed properly and that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- f) Ensure that contracts are drawn up and maintain a register of all contracts entered into with third parties.
- g) Ensure that appropriate insurance arrangements are made, via the Chief Finance Officer.
- h) Ensure that, as far as possible, the Council is not put at risk from any bad debts.
- i) Ensure that no contract is subsidised by the Council.
- j) Ensure that such contracts do not impact adversely upon the services provided for the Council.
- k) Have in place an exit strategy to implement when the funding ceases. This strategy must allow for all costs associated with the winding up, including any costs arising because staff have gained employment rights, being met from within the externally provided monies and, therefore, at no additional cost to the Council. If the terms of the external funding do not allow such costs to be met from it, then they must be met from within the base budget of the Portfolio concerned.
- l) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.
- m) Ensure that all grant income is coded, in the first instance, to the appropriate balance sheet code in order to avoid double counting the overall income and expenditure of the Council.

## **Other Funds**

### **Why is this important?**

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

### **Key Controls**

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

### **General**

The School Fund Regulations, 2013 must be followed for the operation of all school funds in Flintshire Schools and ensure that funds are only used for the purpose that they are intended for as per the regulations.

### **Responsibilities of the Chief Finance Officer**

Prepare the note to be entered into the Statement of Accounts

### **Responsibilities of the Chief Officers**

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

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



## **Protection of Clients Assets**

### **Why is this important?**

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

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

### **Key Controls**

#### **Responsibilities of the Chief Officers**

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

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

Mae'r dudalen hon yn wag yn bwrpasol

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

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

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

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

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

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



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

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

# Eitem ar gyfer y Rhaglen 7



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 22 November 2017
<b>Report Subject</b>	Joint Protocol between Internal Audit and Wales Audit Office
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

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

A protocol between them has been in existence since 2011, last updated in 2015. A further review has now taken place to ensure it remains up to date, reflects the current practice and forms the basis of the cooperation between them.

### RECOMMENDATIONS

1	The committee is requested to accept the Protocol as the basis for the ongoing cooperation between the internal and external auditors.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE ACTION TRACKING REPORT</b>
1.01	As the external auditor, the Auditor General's objective is to carry out an audit which discharges his statutory duties and fulfils his obligations under the Public Audit (Wales) Act 2004, the Public Audit (Wales) Act 2013, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice. The Code requires auditors to liaise effectively with any internal audit functions in line with international auditing standards.

1.02	Internal Audit operate according to the Public Sector Internal Audit Standards and associated Local Government Application Note. These replaced the CIPFA Code of Practice in 2013 and subsequently in 2016 and 2017. The Application Note states that ‘The CAE (Chief Audit Executive – in Flintshire the Internal Audit Manager) should seek to meet regularly with the nominated external audit representative to consult on and coordinate their respective plans and, particularly, to discuss how work can be tailored to satisfy each party’s responsibilities in areas of common interest. Such meetings are an opportunity to discuss matters of mutual interest and to help develop both parties’ understanding of the organisation’.
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<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	None as a result of this report.

<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 – Joint Protocol between External Audit and Internal Audit

<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.

Archwilydd Cyffredinol Cymru  
Auditor General for Wales



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU



# **Joint Protocol between External Audit and Internal Audit**

## **Auditor General for Wales and Flintshire County Council**

**(To be)Adopted November 2017**

# Contents

Introduction	3
Background	3
Objective	6
Approach	6
The Way Forward	7
<b>Appendices</b>	
Action Plan	8
Audit Teams	11

## Introduction

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

## Background

2. The Auditor General for Wales is the statutory external auditor for Flintshire County Council. The Auditor General is also the Chief Executive of the Wales Audit Office which employs staff that enables the Auditor General to carry out his functions.
3. The Internal Audit provision is provided as an in house function with reporting lines directly to the Chief Officer Governance. Notwithstanding this line management relationship the Internal Audit Manager has full and unlimited access to the Chief Executive, all Chief Officers and Members of the Authority. She can also contact the Chair and Members of the Audit Committee at any time.
4. The Auditor General and Internal Audit wish to agree working arrangements to ensure effective co-operation and efficient use of resources based on regular liaison, discussion and exchange of information. The combined objective of both the Auditor General and Internal Audit is to ensure that the Authority continues to receive the most effective use of the audit resource. Formalising arrangements at this stage ensures this aim is achieved by ensuring the audit remains focused and relevant to the changing demands and risks of the Authority.
5. The last protocol was agreed in 2015 to reflect a number of statutory and other changes which impact on how both audit functions operate.
6. In April 2014, in response to new legal requirements, the Auditor General issued a revised Code of Audit Practice and Statement of Practice of the Auditor General for Wales for local government improvement audit, assessment and special inspection functions. These set out the underlying principles for carrying out our external audit work and embody best professional practice.
7. From April 2013 a common set of Public Sector Internal Audit Standards (PSIAS) were adopted and later updated in 2016 and 2017. Additional guidance for local

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

## The Purpose and Function of External Audit

8. As the external auditor, the Auditor General's objective is to carry out an audit which discharges his statutory duties and fulfils his obligations under the Public Audit (Wales) Act 2004, the Public Audit (Wales) Act 2013, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
  - examine and certify whether your financial statements are 'true and fair';
  - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - audit and assess whether you have discharged duties and met requirements of the Measure; and
  - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
9. The Auditor General's approach is to tailor the scope, scale, nature and conduct of his work to the circumstances of the Authority so that audit and inspection effort is directed to areas of greatest risk and challenge.
10. The Code emphasises, that external audit cannot act as a substitute for governments' and other public bodies' own responsibilities to put into place effective internal control arrangements, including arrangements for internal audit.
11. It is the responsibility for public bodies to ensure that their business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used economically efficiently and effectively.
12. The Code requires auditors to liaise effectively with any internal audit functions in line with international auditing standards and work efficiently, placing reliance on the work of internal audit whenever possible and appropriate.

## The Purpose and Function of Internal Audit

13. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (*PSIAS*)
14. The professional responsibilities as Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland.
15. As such, the approach to Internal Audit also meets the requirements of the *PSIAS*.



## The Public Sector Internal Audit Standards

16. The PSIAS were issued in 2013 and later updated in 2016 and 2017 along with a CIPFA Local Government Application Note (LGAN). These replaced the CIPFA Code of Practice for Internal Audit within Local Government. All principal local authorities subject to the Accounts and Audit (Wales) Regulations must make provision for internal audit in accordance with the PSIAS and LGAN. The PSIAS includes a Code of Ethics and the standards which establish how a professional Internal Audit service should operate in local government. The ten Standards are:

### Attribute Standards

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

### Performance Standards

- Managing the Internal Audit Activity
- Nature of Work
- Engagement Planning
- Performing the Engagement
- Communicating Results
- Monitoring Progress
- Resolution of Senior Managements acceptance of Risk

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

## Objective

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

## Approach

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

## External Audit quality assessment

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

## Phasing of audit planning and work

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

## The way forward

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

## Action Plan

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

Tudalen 124

Action Plan

Tudalen 125

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

## Action Plan

Issue	Action	Timescale	Responsibility
Maximise effectiveness of audit coverage.	Ensure Internal Audit testing accords with necessary sampling and evidencing requirements of agreed areas	Ongoing	Internal Audit Principal Auditors/ WAO Financial Team Leader

## Audit Teams

### Wales Audit Office Audit Team

<b>Engagement Director – Richard Harries</b>	
<b>Financial Audit Team</b>	<b>Performance Audit Team</b>
Richard Harries Engagement Lead - Financial Audit	Huw Rees Engagement Lead – Performance Audit
Matthew Edwards Financial Audit Manager	Jeremy Evans Performance Audit Manager
Mike Whiteley Financial Audit Team Leader	Paul Goodland Performance Audit Lead

### Flintshire Internal Audit Team

Internal Audit Manager	Lisa Brownbill
Principal Auditor	Dave Stephens
Principal Auditor	Vacant

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

Mae'r dudalen hon yn wag yn bwrpasol



# Eitem ar gyfer y Rhaglen 8



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 22 November 2017
<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 each Audit Committee meeting. 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 as part of the normal reporting process. The report is divided into several parts.
1.02	All reports finalised since the last committee meeting are shown in Appendix A. The level of audit assurance for standard audit reviews is detailed within Appendix B.  Since September 2017, there has been no 'Red' or 'Limited' assurance issued. Copies of all final reports are available for members if they wish to see them.

1.03	<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>The system was rolled out from the 4<sup>th</sup> January 2016, including requiring all managers and Chief Officers to register. It included all actions from reports issued since April 2015, along with outstanding actions previously tracked. As such there was a large backlog of actions which have been completed and closed on the system.</p> <p>Appendix C shows the current situation. Of 644 actions entered into the system 528 have been cleared. Of the remaining live 116 actions, only 2 actions are currently overdue. Appendix D provides the reasons for overdue actions, along with a note on how the risk is being managed before the action is complete.</p> <p>Appendix E lists all actions with a revised due date of six months from the original due date is listed 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>
1.04	Appendix F shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.
1.05	Appendix G shows the range of performance indicators for the department. Over the last three quarters to date there has been an improvement in the progress made against all targets for the service including the time taken by departments to return draft report.
1.06	These targets will continue to be monitored throughout the financial year.
1.07	Appendix H provides an update on those audit reviews that being finalised for the 2016/17 plan.
1.08	Appendix I shows the current position of work undertaken against the 2017/18 plan.
1.09	<p>Since April :</p> <ul style="list-style-type: none"> <li>• The Strategic Audit Plan has been kept under continuous review with regular meetings taking place with the Chief Executive, Chief Officers, their Senior Management Team.</li> <li>• Eleven new requests for additional work has been received and in most cases, work has been completed.</li> <li>• All high priority audits will be undertaken at this stage during 2017/18.</li> <li>• Out of the 19 high priority audits: <ul style="list-style-type: none"> <li>- 10 are either in progress or fieldwork is complete</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- 4 are either at draft report stage or final</li> <li>- 5 are due to start in quarters 3/4 as agreed with the relevant Chief Officer and Service Manager.</li> </ul>
1.10	The advert for the Principal Auditor has now been finalised and the recruitment process will commence mid November.

<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	Appendix A – Final Reports Issued Since March 2017 Appendix B – Levels of Audit Assurance Appendix C – Action Tracking – Portfolio Statistics Appendix D – Actions Beyond Due Date Appendix E – Actions with Revised Due Date Six Months Beyond Original Due Date Appendix F – Investigation Update Appendix G – Performance Indicators Appendix H – Operational Plan 2016/17 (Carry Forward) Appendix I – Operational Plan 2017/18

<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> Lisa.brownbill@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<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. <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.

**Wales Chief Auditors Group:** An informal meeting group of Chief Auditors to discuss items of mutual interest.

**Operational Plan:** the annual plan of work for the Internal Audit team.

# Flintshire Internal Audit

Progress Report



November  
2017

## Contents

Final Reports Issued Since September 2017.....	Appendix A
Levels of Audit Assurance – Standard Audit Reports.....	Appendix B
Action Tracking – Portfolio Statistics.....	Appendix C
Actions Beyond Due Date.....	Appendix D
Actions with Revised Due Date Six Months Beyond Original Due Date.....	Appendix E
Investigation Update.....	Appendix F
Internal Audit Performance Indicators.....	Appendix G
Internal Audit Operational Plan 16/17 (Carry forward) .....	Appendix H
Internal Audit Operational Plan 17/18.....	Appendix I

## Final Reports Issued Since September 2017

## Appendix A

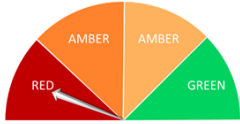
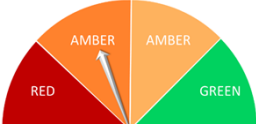
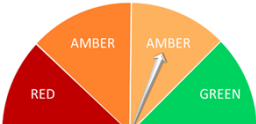
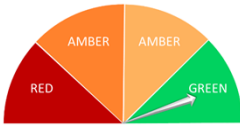
The following reports and advisory work have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received **Red** assurance a summary of the findings and the Action Plan is attached in **Appendix C**.

Project Reference	Project Description	Audit Type	Level of Assurance	Actions		
				High	Med	Low
43F-2016/17	School Funds Follow Up	Follow Up	AR	1	4	0
05-2016/17	Environmental Enforcement	Risk Based	AG	0	2	1
50-2016/17	Risk Management	Risk Based	AG	0	3	1
02-2017/18	Bereavement Services	Risk Based	AG	0	2	3
07-2017/18	Substance Misuse	Risk Based	AG	0	1	3
09-2017/18	Mold Campus	Advisory	Advisory	-	-	-
03-2017/18	School Closures (John Summer High School)	Advisory	Advisory	-	-	-
AC 12-2017/18	Greenfield Valley – Fishing Ban	Advisory	Advisory	-	-	-
AC 04-2017/18	ADM – Aura	Advisory	Advisory	-	-	-
INV 0011719	Whistleblowing – Hawarden High School	Investigation	Advisory	-	-	-

## Levels of Assurance – Standard Audit Reports

## Appendix B

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 will be reported to the Audit Committee.

Level of Assurance	Explanation
<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>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>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> 51-75% of actions have been implemented. All high priority actions have been implemented.</p>
<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> 75%+ of actions have been implemented. All high priority actions have been implemented.</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>



## Action Tracking – Portfolio Performance Statistics

## Appendix C

Portfolio	November 2017 Stats				Live Actions - As at November 2017			Actions beyond Original due date	
	Number of Actions Raised Since January 2016	Actions Implemented since 04.01.2016 (including Actions No Longer Valid)	% of Actions Cleared To Date	Number of Audits Since January 2016	Live Actions	Actions Beyond Due Date (excludes Actions with a revised due date)	Actions with a Revised Due Date	Actions between 6 & 12 months	Actions Greater than 12 Months (13+)
Corporate	27	25	82%	14	2	0	2	0	0
Community & Enterprise	61	57		10	4	0	4	2	0
Education & Youth	46	37		17	9	0	2	0	0
Governance	68	60		19	8	0	8	5	3
Organisational Change 1	20	14		4	6	0	5	2	0
Organisational Change 2	35	33		7	2	0	2	0	1
People & Resources	114	100		32	14	0	9	1	0
Planning & Environment	29	9		6	20	1	20	4	6
Social Services	75	70		12	5	0	4	0	0
Streetscene & Transportation	75	62		10	13	1	8	3	0
External	22	15		7	7	0	1	0	0
Individual Schools	72	46		22	26	0	15	0	0
<b>Total</b>	<b>644</b>	<b>528</b>			<b>160</b>	<b>116</b>	<b>2</b>	<b>80</b>	<b>17</b>

Tudalen 137

## Internal Audit Actions Beyond Due Dates

## Appendix D

Tudalen 138

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Original Action	Resp. Officer	Current Position	How Risk is Being Managed	New Risks Arising from Overdue Actions
Planning & Environment	<p>Planning Enforcement 2016-17 - Benchmarking in managing referrals is not undertaken</p> <p>The Development Services Manager will attend the next DC managers meeting and Officers will attend the next Enforcement forum and raise issues of benchmarking.</p> <p>URN 1896</p>	Low (Green)	31/08/2017 31/10/2017	2	Mandy Lewis	DC Managers meeting planned for October 2017. In light of proposed changes to enforcement indicators I will ask that the agenda included enforcement bench marking and/or good practice.	In light of proposed changes to enforcement the agenda to include enforcement bench marking and/or good practice.	None
Streetscene & Transportation	<p>HNA 16/17: User access to PMS Software</p> <p>Issues around user access to the web based PMS software need to be resolved with Corporate IT to ensure Highways staff can maintain carriageway inventory data on an ongoing basis.</p> <p>URN 1726</p>	Medium (Amber)	24/05/2017 30/10/2017	6	Barry Wilkinson	FCC IT are continuing conversations with the software provider (WDM) to make arrangements to improve the user access. Access should be resolved within 4 weeks, with WDM providing a long-term solution in the coming months by developing a Web Access Portal.	In Progress. FCC IT are working with the system provider to resolve access issues experienced by users when trying to Log-in, however we expect these issues to be resolved imminently and access to the systems to be gained within the coming days.	None

Actions with a Revised Due Date Six Months Beyond Original Due Date

Appendix E

Tudalen 139

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Community & Enterprise	1587	Tell Us Once - 2016/17 : Not all service areas of the Council are included in the Tell Us Once System	Medium (Amber)	31/03/2017	10/11/2017	<p>The list of TUO users has been audited to ensure the right people have access to the system and to identify new users. The Council has been working with DWP to overcome issues with the IT technology (firewalls) which is currently preventing new users being added and Flintshire were not the only LA to experience problems accessing the system.</p> <p>This issue was resolved last week. Customer Services is now making contact with those employees who require access and will enrol them as a priority. We will also invite DWP to provide training to new users. We aim to complete all actions, including training by 31 October.</p>	The list of TUO users has been audited to ensure the right people have access to the system and to identify new users. Until the IT problem with the DWP is resolved only the current services are using the system.
Community & Enterprise	1616	Housing Allocations 15/16 :	Medium (Amber)	31/03/2017	29/12/2017	A review of the regional policy will be presented to cabinet in the Autumn. A full rewrite of	Working practices have been amended and restrictions placed on the OT system to limit risks

Tudalen 140

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		Procedures				the procedures will follow that.	and case file reviews are carried out.
Governance	174	CPRs : Declaration of Interests	Medium (Amber)	31/03/2016	31/12/2017	Progress with developing an electronic register has been slowed by capacity within IT development services. Although Chief Officers are already under an obligation to maintain a register for declarations of interest the Deputy Monitoring Officer is preparing a consistent process and paperwork to be rolled out until the electronic system is ready.	Any declarations are to be reported to line management until IT solution is finalised.
Governance	271	Main Accounting - AP & P2P: There is a high amount of retrospective ordering on the P2P system which is contrary to FPR.	High (Red)	30/09/2016	31/01/2018	Implementation of the deferred No PO No Pay Policy is part of a wider strategic programme of improvement which now includes the additional projects such the Accelerated Payment Facility business case development. The business case development is in progress and the actions to improve upfront Purchase Order compliance has been discussed with an action plan developed. It's anticipated that the action plan will be implemented over	A number of CPR training workshops to officers have been held over the last 6 months to highlight the need for creating upfront Purchase Orders. The Corporate Procurement Team is still engaging with individual service areas on an ongoing basis to increase upfront Purchase Order compliance and further meetings / workshops have been arranged with service areas to support them to comply with the need for upfront P2P purchase orders.

Tudalen 141

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						the next 3 months.	
Governance	284	Main Accounting - AP & P2P 15/16: Not enough expenditure codes are under category managers.	Low (Green)	29/02/2016	31/12/2017	The Corporate Procurement function has just been through an organisational re-structure, which has provided clarity which of the Category Business Partners has been allocated various category of spend areas. There is now an action plan in place to implement the need for all Purchase Orders to be routed through Purchase to Pay system category workflow approval process so that more expenditure codes and category spend classifications will be managed and controlled.	The Category Business Partners have been engaging with their respective service area officers to promote the need for Contract Procedure Rules compliance. Additionally a new Commissioning form has been developed, which requires Corporate Procurement Service sign off and feedback before any market competition can be undertaken by the service area for all projects above £25k.
Governance	1406	Data Protection - 15/16: Subject access requests are not identified correctly by Staff who may receive them. If they are not properly identified then they may not be processed correctly or in accordance with	Medium (Amber)	31/03/2017	30/03/2018	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.	The revised ICO Subject Access Code of Practice has been reviewed and re-iterated to members of the Data Protection Team.

Tudalen 142

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		the guidelines.					
Governance	1414	Data Protection - 15/16: SAR are not processed in accordance with the guidelines.	Medium (Amber)	31/03/2017	30/03/2018	The Information System forms part of a wider project. The project has started with FOI as there are higher risk issues in this area.	This was also discussed at the GDPR Project Board, whilst we are waiting on the new system we have a spreadsheet to record the requests and we have issued further communication to staff on how to recognise as SAR and what to do with it.
Governance	1516	PCIDSS: The Council may fail to meet the PCI DSS if the self-assessment questionnaire is not completed.	High (Red)	31/12/2016	31/10/2017	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
Governance	1523	PCIDSS: Staff do not have the most recent or up to date information	Low (Green)	31/12/2016	31/10/2017	PCIDSS Accredited External Assessors have been appointed to conduct an initial review of systems and	A PCIDSS review was undertaken by a specialist QSA provider, ECSC, on 4th October 2017. The review has identified areas of

Tudalen 143

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		available to them.				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 4/10/17. Following the review revised guidelines (containing any amendments identified by QSA Assessors) will be issued to all appropriate staff. In view of the external assessment, PCIDSS compliance, including the most up to date guidance for staff, will not be achieved until 31/10/17.	<p>compliance and areas of risk. Overall, the Council is deemed to be 50% compliance with PCIDSS</p> <p>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</p> <p>In the meantime guidance will be updated and re-circulated to the workforce responsible for taking payments.</p>
Governance	1572	PCIDSS: Non-compliance with PCI DSS or DP Act.	High (Red)	31/12/2016	31/10/2017	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	<p>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</p> <p>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</p>

Tudalen 144

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						review the SAQ will be completed and based on the findings of the external risk assessment.	but this will undoubtedly require substantial investments in IT to achieve 100% compliance
Organisational Change 1	1591	Leisure Services - Direct Debit Set Up	Medium (Amber)	31/03/2017	31/12/2017	As per follow up note dated 31 August 2017. The following reason had previously been submitted on 29 March 2017: 'The significant resource required to conduct service-wide training in the short-term is unavailable. Key colleagues that would lead on this training are currently assisting Holywell Leisure Centre in relation to system set up for the CAT; other key personnel that can effect this training are subject to service review, re-structure and/or VR.'	<p>The vacant 'system administrator' post is still to be recruited to; it is currently being advertised as 'Systems Development Officer' (SS Grade G) with a closing date of next Monday, 13 November.</p> <p>The main focus of the new Finance &amp; Commercial Manager, since he commenced employment on 12 June, has been achieving financial close with FCC and profiling the two proposed capital investment schemes which are central to Aura's five-year business model and the long term economic viability of the ADM. These two priority pieces of work are also deemed priorities for FCC (as Aura's partner).</p>
Organisational Change 1	1593	Leisure Services - Access to the Leisure Management	Low (Green)	31/03/2017	31/12/2017	In readiness for the transfer of Leisure & Libraries Services to Aura from FCC on 1 September 2017, a review of LMS users has been recently completed to ensure the list is up to date	As above



Tudalen 145

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						<p>and accurate.</p> <p>The Leisure Head Office re-structure is still ongoing and will continue throughout September and October 2017.</p> <p>The system administrator has recently resigned her post with Aura/FCC so, at present, there is no resource to carry out regular user reviews. This currently vacant post will be recruited to as part of the re-structure hence the revised Due Date being submitted.</p>	
Organisational Change 2	333	CCTV – Draft CCTV Policy	Medium (Amber)	30/07/2016	29/09/2017	The document has been revised and has been supported by Chief Officers. Trade Union colleagues have suggested that there needs to be clarification around CCTV system used in FCC vehicles.	A separate document which does not deal exclusively with public realm CCTV systems is being developed to clarify the position with vehicle based system which are in the main deployed on our waste collection vehicles. In reality these systems are used as enhanced health and safety features in such vehicles.
People & Resources	1500	Insurance - 2015/16 : Pre Action Disclosures	Low (Green)	31/12/2016	31/12/2017	Much progress has been made in this area and following the appointment of the new broker from 1st October we will be liaising with them to further	Work to digitise Insurance info is ongoing but is lengthy and time consuming given the workload within the Section. In the meantime where necessary existing manual arrangements

Tudalen 146

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						improve processes.	are continuing.
Planning & Environment	285	Section 106 - 15/16 : Update of LPGN 22	Medium (Amber)	31/07/2016	31/12/17	<p>LPGN 22 (overarching planning guidance) has not been updated, and it is recognised that this will need to be updated to ensure consistency with the updated LPGN's which sit beneath it (in particular LPGN 23, Education).</p> <p>There may also be scope to update LPGN 22 to include a S106 administration fee, but this is something which will need to be considered in discussion with Legal.</p> <p>A due date of 31.12.17 has been included recognising the timeframes for the adopting of new and amended planning guidance.</p> <p>Following on from the comments below, risk of non-implementation of this audit recommendation is mitigated by the existence of the LPGN's which sit below LPGN 22, each of which operate in their own right.</p>	The, risk of non-implementation of this audit recommendation is mitigated by the existence of the LPGN's which sit below LPGN 22, each of which operate in their own right.
Planning &	311	Section 106 :	Medium	31/03/2017	31/12/2017	First stage of work completed	New officer assigned to the

Tudalen 147

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Environment		Strategic decision around the adoption of open space provision	(Amber)			<p>by Play and Leisure in providing necessary advice to Planning and work is now taking place on revising Planning Guidance. This provides logic for the slippage in dates in that the first stage as originally envisaged is now complete and the revised date allows for second stage completion of the work.</p> <p>Further work is required to evaluate and provide further evidence to update the Planning Guidance on Open Space Provision. This is also due to the previously assigned officer for this review being on long term absence from work, and a new officer has had to pick up the work.</p>	work. Review of work done to date and evidence provided or outstanding underway.
Planning & Environment	313	Section 106 - 15/16 : Play equipment specification	Medium (Amber)	31/07/2016	31/12/2017	<p>A working group is now in place to complete the drafting of this guidance note and will finish the work by 31st March 2017.</p> <p>Amendment made to provide an accurate update in line with the Planning Strategy group meeting that will sign off the draft guidance.</p>	<p>Update following S106 Working Group Mtg 20.9.17: This will be picked up as part of the update of LPGN 13, and the wider review of the adoption of open spaces.</p> <p>Initially this will be progressed through discussion between Andy Farrow, Andy Roberts, Ian Bancroft and Alan Roberts.</p>

Tudalen 148

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
							Due to the timescales involved in the adoption of an updated LPGN the due date has been revised to 31.12.17.
Planning & Environment	314	Section 106 : Use of Management Companies for maintenance of public open spaces	Low (Green)	31/07/2016	31/12/2017	<p>The Section 106 Working Group has now met twice to address the recommendations of the audit report with a third meeting scheduled for September 2017.</p> <p>The existing, adopted Local Planning Guidance Note continues to be used in the determination of any relevant applications in the interim.</p> <p>A draft of revised Supplementary Planning Guidance Note will be represented to the next meeting of the Working Group in September with a view to an agreed version of it being reported to Planning Strategy Group on 23rd November and Cabinet (for consultation) on 19th December.</p>	We can't refuse developers who want to use management companies for the maintenance of public open spaces. The updated LPGN will include options to make these management companies more 'secure' for residents and more 'palatable' for members considering the planning applications, but will not seek to prevent the use of Management Companies. In advance of the implementation of the new planning guidance the risk will continue to be managed through existing process.
Planning & Environment	315	Section 106 - 15/16 : Open Space requirements,	Low (Green)	31/07/2016	31/12/2017	Update following S106 Working Group Mtg 20.9.17: This will be looked at as part of the update to LPGN 13, Open Space	This was a green finding so the risk is considered to be low, and will continue to be managed through existing process.

Tudalen 149

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		trigger points / staging of payments				<p>Requirements. A meeting to be arranged to discuss the data that it held around trigger points, contributions per unit, etc. to inform the changes to the LPGN.</p> <p>A draft SPGN has been put together around Recreational Public Open Spaces (as attached) to be used as a starting point for discussions, but it is acknowledged that there is also need for a wider discussion around the adoption of open spaces - where do we want to be in 10 / 15 years' time? Can we continue to adopt these open spaces? Are we adopting open spaces only to hand them back to the Community as Community Asset Transfers, etc.</p>	
Planning & Environment	320	Section 106 : Monitoring reports	Low (Green)	30/06/2016	31/12/2017	A review of alternative purpose built software is underway which would negate the requirement to fill in separate databases.	The in house monitoring system (S106 spreadsheet) is still maintained pending further consideration by the cross portfolio working group around process and flow of information.
Planning & Environment	1435	Section 106: Update of LPGN 13	Medium (Amber)	30/06/2016	31/12/2017	The Section 106 Working Group has now met twice to address the recommendations of the	LPGN 13 remains in place, whilst it is acknowledged that some update is required, and work is

Tudalen 150

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						<p>audit report with a third meeting scheduled for September 2017.</p> <p>The existing, adopted Local Planning Guidance Note continues to be used in the determination of any relevant applications in the interim.</p> <p>A draft of revised Supplementary Planning Guidance Note will be represented to the next meeting of the Working Group in September with a view to an agreed version of it being reported to Planning Strategy Group on 23rd November and Cabinet (for consultation) on 19th December.</p>	ongoing to address this, the existence of the current Planning Guidance ensures that risks are managed in the meantime.
Planning & Environment	1575	Greenfield Valley: Update of Financial Records	Medium (Amber)	31/03/2017	30/11/2017	Revised due date to allow the service the opportunity to fully close down the audit recommendation in line with the agreed action.	<p>The permanent Admin post has now been filled with effect from 1.9.17. the new employee has taken over the duties performed by the Temp Admin post but will need a period of time to get up to speed and to ensure the full implementation of the actions identified in the audit report.</p> <p>The immediate risks are still being managed based on the controls put in place by the</p>

Tudalen 151

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
							temporary contractor which have been picked up by the new permanent post pending full implementation of new processes and procedures.
Planning & Environment	1576	Greenfield Valley: Electronic Banking	Medium (Amber)	31/03/2017	30/11/2017	The revised due date has been included by SG to allow the service time to fully implement the agreed action.	The Interim financial policy is still in place and will remain in place until a final policy is agreed by the new Trustees. The interim policy refers to controls around credit card payments so addresses the risks identified during the audit.
Planning & Environment	1580	Greenfield Valley: Credit Card Payments	Low (Green)	31/03/2017	31/03/2018	The revised due date has been included to allow the service time to put a final policy document in place following the update above.	The Interim Policy referred to below is still in place. The intention is that the interim policy will be revised once the new Trustees have been appointed and the Board is complete (appointments of 4 x new Trustees expected by the end of Nov 17). It is anticipated that the Trustees will need a period of time before they commence review of all policies and procedures, as such the due date has been changed to 31.3.18.
Streetscene & Transportation	1725	HNA 16/17: Discrepancies in carriageway	Medium (Amber)	24/05/2017	31/12/2017	CIPFA have made a decision not to implement the HNA Code of Practice, as such this	As this is now a best practice recommendation (following the CIPFA decision not to implement

Tudalen 152

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		lengths				Action is not required to ensure the accuracy of the HNA valuation, however a decision has been made that this recommendation will be implemented as a point of good practice. The due date has been revised as we are no longer working to a financial deadline, and there is no longer scope to divert resources to ensure compliance with the Code of Practice.	the HNA Code of Practice) there is no 'risk' to be managed. The action will however be implemented to ensure best practice within the service.  Based on CIPFAs decision, the priority for the action has been downgraded from medium to low.
Streetscene & Transportation	1726	HNA 16/17: User access to PMS Software	Medium (Amber)	24/05/2017	30/10/2017	CIPFA have made a decision not to implement the HNA Code of Practice, as such this Action is not required to ensure the accuracy of the HNA valuation, however a decision has been made that this recommendation will be implemented as a point of good practice. The due date has been revised as we are no longer working to a financial deadline, and there is no longer scope to divert resources to ensure compliance with the Code of Practice.  FCC IT have provided a VDI link to the system, however this is not yet operational. A call has	FCC IT are continuing conversations with the software provider (WDM) to make arrangements to improve the user access. Access should be resolved within 4 weeks, with WDM providing a long-term solution in the coming months by developing a Web Access Portal.



Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						been raised and we are awaiting resolution.	
Streetscene & Transportation	1739	HNA 16/17: Network reclassifications	Medium (Amber)	24/05/2017	31/03/2018	CIPFA have made a decision not to implement the HNA Code of Practice, as such this Action is not required to ensure the accuracy of the HNA valuation, however a decision has been made that this recommendation will be implemented as a point of good practice.	The due date has been revised as we are no longer working to a financial deadline, and there is no longer scope to divert resources to ensure compliance with the Code of Practice.

Tudalen 153

## Investigation Update

## Appendix F

Ref	Date Referred	Investigation Details
<b>1. New Referrals</b>		
1.1	13/09/2017	A complaint was received concerning practices followed for the award of transport contracts, this also included an allegation of corruption. The investigation is ongoing.
1.2	14/09/2017	Monies were reported as missing which belonged to both service users and staff. The matter has been reported to the Police and a review has been carried out of control issues relating to the incident. A report will shortly be issued to the service to enhance controls in the service.
1.3	30/10/2017	A referral has been received concerning potential misuse of a grant scheme by a former member of staff.

<b>2. Reported to Previous Committees and still being Investigated</b>		
2.1	05/01/2017	A whistleblow was received concerning Flintshire's use of a framework agreement. The referral concerns the terms of the agreement. The investigation is ongoing.
2.2	11/05/2017	An anonymous whistleblow was received concerning procurement practices in one of the Portfolios. The investigation work is complete and a number of control recommendations have been made. The allegation could not be substantiated.
2.3	18/05/2016	A referral was received concerning the use of monies on a grant funded scheme. The investigation has been concluded and a report has been issued. This is now the subject of a Police investigation and further information has been provided.
2.4	17/08/2017	A referral has been received alleging unfair treatment and irregularity in the awarding of a contract. The investigation is ongoing.
2.5	05/07/2017	A referral has been received alleging that a member of staff has used a Council contractor for private work. The implication being it could be a conflict of interest. The investigation is ongoing.

Internal Audit Performance Indicators

Appendix G

Performance Measure	Qtr 1 17/18	Qtr 2 17/18	Qtr 3 17/18 <small>(as at 13.11.17)</small>	Target	RAG Rating	
Audits completed within planned time	71%	60%	88%	80%	G	↑
Average number of days from end of fieldwork to debrief meeting	17	15	11	20	G	↑
Average number of days from debrief meeting to the issue of draft report	5	14	2	5*	G	↑
Days for departments to return draft reports	10	11	7	7*	G	↑
Average number of days from response to issue of final report	1	2	2	2	G	→
Total days from end of fieldwork to issue of final report	39	34	27	34	G	↑
Productive audit days	79%	74%	82%	75%	G	↑
Client questionnaires responses as satisfied	100%	100%	100%	95%	G	→
Return of Client Satisfaction Questionnaires	66%	75%	75%	80%	G	→

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

**\* Changes to Performance Indicators**

Following a review of the Internal Audit PI's at the end of the financial year, two target PI's have been changed to accurately reflect the time taken to complete key aspects of the audit process. There are:

- PI : Average number of days from debrief meeting to the issue of draft report.**  
This target has been increased from 3 working days to 5 working days. This is to take into account the part time working arrangements in place within the Internal Audit Service
- PI : Days for departments to return draft reports**  
This target has been increased from 3 working days to 7 working days. This increase in target is more a reflection of the detailed work undertaken and greater stakeholder involvement and should not be seen negatively.

## Internal Audit Operational Plan 2016/17 (Carry forward Audits) Appendix H

This appendix only provides an update on those reviews finalised, those reviews currently in progress and any changes made to the plan since the last Audit Committee meeting in June 2017.

Audit	Audit Type	IA Priority Rating	Original Plan Days	Revised Plan Days	Actual Days	Status
<b>Corporate</b>						
Safeguarding (including schools)	Risk Based	A	20	20	15	Draft Final Issued
Risk Management	Risk Based	G	10	10	18	Final
<b>Education and Youth</b>						
Youth Justice	System Based	A	15	15	9	Draft Review
<b>Governance</b>						
Network Security	Risk Based	A	See Note #	-	1	To form part of assurance mapping
Procurement	Risk Based	A	30	30	27	Final
<b>Organisational Change 1</b>						
Alternative Delivery Models	VFM	R	30	30	18	Aura - Final Newydd -Final
<b>Organisational Change 2</b>						
Corporate Asset Strategy	Risk Based	A	15	15	20	Draft Issued
<b>Planning and Environment</b>						
<b>Streetscene and Transportation</b>						
Environmental Enforcement	Risk Based	R	30	30	23	Final
<b>External</b>						
Notes: # External technical support may be required for this audit * Audit has been combined with another and one audit report will be produced						

Internal Audit Operational Plan 2017/18

Appendix I

Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
<b>Corporate</b>				
Income from Fees and Charges / Efficiency Savings	H		4	
Use of Consultants	Advice & Consultancy	Final	3	
Corporate Safeguarding	Advice & Consultancy	Ongoing	Ongoing	New to Plan – IAM a member of the Corporate Safeguarding Board
Corporate Governance	Annual	Ongoing	Ongoing	Member of the Corporate Governance Working Group
<b>Community &amp; Enterprise</b>				
Single Access Route to Housing (SARTH)	H	Drat Issued	1	
Strategic Housing and Regeneration Project (SHARP)	H	In Progress	2	
Welsh Housing Quality Standard	H	In Progress	2	
Housing Rent Arrears	M		3	
Transient Travellers	M		4	
Disabled Facilities Grant	C/F 16-17	In Progress	2	Carried forward into 17/18 as the request of the Service
Council Tax & NNDR	Annual	In progress	3	CRSA Issued
Housing Benefit	Annual	In progress	3	CRSA Issued
<b>Education &amp; Youth</b>				
School Closure (John Summers High Schools)	H	Final	1	
IT Procurement in schools	M	In Progress	2	
School Uniform Grants		Final	2	New to plan – to validate the grant application process.
Education Grants: Professional Development Grant (PDG)	Annual	Final	2	
Education Grants: Including Education Improvement Grant (EIG)	Annual	Final	2	
Control and Risk Self-Assessment	Annual	In Progress	3	
Risk based thematic reviews across all schools including central controls	Annual		3/4	

Tudalen 157

Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
<b>Governance</b>				
Joint Central Procurement Arrangement (Joint Review)	H	In Progress	2	This review will include aggregated spend
Procurement - Aggregated Spend (Joint Review)	H	In Progress	2	Combined within the above review
Procurement - Contract Monitoring (Joint Review)	H		4	
Community Benefits	M		4	
Legal Case Management	M		4	
<b>Information Security Policies</b>	<b>Advice &amp; Consultancy</b>	<b>In Progress</b>	<b>Ongoing</b>	<b>New to Plan - request for IA involvement</b>
Digitisation / Digital Strategy	Advice & Consultancy	On going	Ongoing	
Data Protection	Annual & C/F 16-17	In Progress	2	To include work carried forward from 16/17. Additional work will be required in 17/18 due to new General Data Protection Rules (GDPR)
<b>Organisational Change 1</b>				
Post Transfer - Leisure, Libraries & Museum Services	H		3/4	2017/18 review will focus on the strategic risks of the business.
ADM - Facility Services, Leisure & Libraries, Work Opportunities	Advice & Consultancy	Final	1	Work on Aura and NEWydd complete.
Clwyd Theatre Cymru (CTC)	M		3	
Libraries	M		4	Deferred until next year given the SLA with Aura is 20 days
Future ADM : Bailey Hill, Museums & Archives and any emerging ADMs	Advice & Consultancy		Ongoing	
<b>Organisational Change 2</b>				
Community Asset Transfer - Holywell Swimming Pool	H		3	Mid November start
Post ADM Transfer - Facilities Services	H		4	
County Hall Campus	M	In Progress	3	
CCTV	M		3	
Community Asset Transfer - Contract Management - Connah's Quay Swimming Pool	M		4	
Property Maintenance	M		4	
<b>Background checks</b>	<b>Advice &amp; Consultancy</b>	<b>Final</b>	<b>2</b>	<b>New to Plan</b>
Community Asset Transfer - New	Advice & Consultancy		Ongoing	

Tudalen 158

Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
<b>People &amp; Resources</b>				
Working Time Regulations	H	Draft Report	1	
IR35 Compliance	H	On Hold	3	December start
Appraisals	M		4	
Occupational Health Unit			4	New to Plan
Payroll	Annual		4	
E-Teach (Supply Staff) – Payroll and Recruitment	Advice & Consultancy	Ongoing	Ongoing	
Method Statements Supporting MTFS	Advice & Consultancy	Final	2	New to Plan – to review method statement calculations
Treasury Management	M		4	
Main Accounting – Accounts Payable (AP) / P2P	Annual	In Progress	3	CRSA Issued
Main Accounting – Accounts Receivable (AR)	Annual	In Progress	3	CRSA Issued
Main Accounting – General Ledger (GL)	Annual	In Progress	3/4	
Collaborative Planning (CP)	Advice & Consultancy	Ongoing	Ongoing	
Masterpiece Migration & ADM Financial Solution Project	Advice & Consultancy	Ongoing	Ongoing	
Finance Modernisation Programme – AR	Advice & Consultancy	Ongoing	Ongoing	
Accounts Governance Group	Advice & Consultancy	Ongoing	Ongoing	
<b>Planning &amp; Environment</b>				
Greenfield Valley Heritage Park	H		4	Following recruitment for new Trustees
Pollution Control	H	In Progress	2	
Pest Control	M		4	
Section 106 Agreements – Follow Up	M		4	
Planning Enforcement – Follow Up	M		4	
Greenfield Valley Heritage Park – Fishing Ban	Advice & Consultancy	Final	3	New to Plan
Section 106 Agreements	Advice & Consultancy	Ongoing	Ongoing	
<b>Social Services</b>				
Social Services Financial Processes (Including Provider Payments)	Commissioned Work	Final	1	
Commissioning and Contracts	H	In Progress	1	
Safeguarding - Adults at Risk	H		3	

Tudalen 159

Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
Substance Misuse	M	Draft	2	
Deferred Payments on Properties	M		4	
<b>Streetscene &amp; Transportation</b>				
Bereavement Services	H	Final	2	
Integrated Transport Unit (ITU)	H	In Progress	3	
Community Transport	M		3	
Highways - Cost Recovery	M		3	
Regional Transport	M		4	
Security of HRC Sites	Advice & Consultancy	Final	2	New to Plan
Streetlighting Security	Advice & Consultancy	Final	2	New to Plan
Solar Farm	Advice & Consultancy	Draft report	2	New to Plan
ITU Procurement	Advice & Consultancy	Draft report	2	New to Plan
Fleet Management	C/F 16-17		4	At the request of the service department this review has been carried forward into 17/18
Accounting for Highways Assets Infrastructure	Advice & Consultancy	Ongoing	Ongoing	
ITU Project Working Group	Advice & Consultancy	Ongoing	Ongoing	
<b>External</b>				
Pensions Administration	Annual	-	4	
North West Residual Waste Partnership	Advice & Consultancy	Ongoing	Ongoing	
<b>Investigations, Provisions and Developments</b>				
Investigations	Investigation	Ongoing	Ongoing	Eight investigations – Appendix F
Proactive Fraud	Training	Final	2	<ul style="list-style-type: none"> <li>Whistleblowing Training to Social Services</li> <li>Review of Counter Fraud Policies</li> </ul>
Audit Development : Control Risk Self-Assessment	Development	Final	Ongoing	
Audit Development : Computer Assisted Audit Tools Techniques Software (CAATTs)	Development	In Progress	Ongoing	
Audit Development : Root Cause Analysis	Development	In progress	Ongoing	

Tudalen 160



**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 in substitute for new higher priority reviews / advice. <b>These audits are highlighted in green within the plan.</b>

Tudalen 161

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 9



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 22 November 2017
<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	<p>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.</p> <p>Full action tracking details within Appendix A.</p>

<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, 22<sup>nd</sup> November 201715<sup>th</sup> March 2017

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
56	IA Progress Report	To provide an update to audit committee once the police investigation has reached a conclusion	Lisa Brownbill	An update will be provided to audit committee once the police investigation has reached a conclusion
59	IA Strategic Plan	To include in the IA Progress report details of any uncompleted high priority audits during the year	Lisa Brownbill	The IA Progress report will include this information where applicable

12<sup>th</sup> June 2017

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
5	Asset Disposal & Capital Receipts Generated	To review the criteria for the disposal of general properties to maximise capital receipts	Neal Cockerton	The process for capital receipts has been changed in that land disposals come to the Capital and Asset Programme Board for review and challenge before disposal takes place. We are currently reviewing the Capital and Asset Management Strategy and so will make reference to this process in the redrafting of this document.

19<sup>th</sup> July 2017

Tudalen 166

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
18	Draft Statement of Accounts 2016/17	To carry out a 'dry run' in advance of the earlier publishing deadlines for Statement of Accounts	Gary Ferguson / Liz Thomas	To be built into future timetables for closure of the accounts
20	Treasury Management Annual report 2016/17 and Update Q1 2017/18 (C)	That additional in-house training be organised for Committee prior to the Treasury Management training session	Liz Thomas	All Member Treasury Management training to be arranged for 4 <sup>th</sup> December 2017, with further training to be arranged for January which specifically focuses on changes being suggested for the 2018/19 Treasury Management Strategy
20	Treasury Management Annual report 2016/17 and Update Q1 2017/18	To arrange Treasury Management training for all Members for early January 2018	Liz Thomas	All Member Treasury Management training to be arranged for 4 <sup>th</sup> December 2017, with further training to be arranged for January which specifically focuses on changes being suggested for the 2018/19 Treasury Management Strategy
20	Treasury Management Annual report 2016/17 and Update Q1 2017/18	The next report to include information on prudential indicators to demonstrate affordability on external debt levels and comparison with other council	Liz Thomas	Included within the November 2017 report to Audit Committee

**27<sup>th</sup> September 2017**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
24	Statement of Accounts 2016/17	To schedule an item in the Forward Work Programme early in the New Year to give assurance on the preparation process and resources needed to meet the future challenge of earlier accounts publishing deadlines. The item to include the outcome of discussions on the early trial of an amended accounts timetable.	Liz Thomas	Included within the Forward Work Programme for March 2018
27	IA Progress Report	Follow-up on Planning Enforcement recommendations to be reported to the Environment Overview & Scrutiny Committee at six monthly intervals.	Andy Farrow	Follow up work will be reported to Environmental Overview & Scrutiny Committee in March 2018
27	IA Progress Report	To include the follow-up report on Planning Enforcement on the Audit Committee Forward Work Programme.	Lisa Brownbill / Dave Stephens	Included within the Audit Committee Forward Work Programme for June 2018
29	Forward Work Programme	To circulate a detailed note to all Members on School Transport operations following the update to Education & Youth Overview & Scrutiny Committee on 05/10/17.	Colin Everett	The Operational Transport briefing note was issued to all members on the 20 <sup>th</sup> October 2017. There is also an all member workshop to be held on 29 <sup>th</sup> November

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# Eitem ar gyfer y Rhaglen 10



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 22 November 2017
<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 draft 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 the 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.
3	That the Committee is asked to express a preference for its meeting pattern.

## 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 on legislation?</li> <li>6. Is it prompted by the work carried out by Regulators/Internal Audit?</li> </ol>																		
1.03	<p>At the meeting of the Constitution &amp; Democratic Services Committee which was held on 25<sup>th</sup> October, it was resolved that each committee should be canvassed for views on meeting preference as part of their forward work programme item. The options are as follows:</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th colspan="2">Morning</th> <th colspan="3">Afternoon</th> <th>Evening</th> <th colspan="3">Other</th> </tr> </thead> <tbody> <tr> <td>09:30</td> <td>10:00</td> <td>13:30</td> <td>14:00</td> <td>16:30</td> <td>18:00</td> <td>Alternate am / pm</td> <td>Rotate 10:00 / 14:00 / 16:30</td> <td>Rotate am / pm / 18:00</td> </tr> </tbody> </table> <p>The Audit Committee, which currently meets on a Wednesday morning at 10:00, is asked to express a preference for its meeting pattern. This information will be reported back to the Constitution &amp; Democratic Services Committee</p>	Morning		Afternoon			Evening	Other			09:30	10:00	13:30	14:00	16:30	18:00	Alternate am / pm	Rotate 10:00 / 14:00 / 16:30	Rotate am / pm / 18:00
Morning		Afternoon			Evening	Other													
09:30	10:00	13:30	14:00	16:30	18:00	Alternate am / pm	Rotate 10:00 / 14:00 / 16:30	Rotate am / pm / 18:00											

<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 2017/18****Presented to Committee - Wednesday, 22<sup>nd</sup> November 2017**

Meeting Date	Agenda Item	Author
<b>22<sup>nd</sup> November 2017</b>	Treasury Management 2017/18 – Mid Year Report	Liz Thomas
	Use of Consultancy Report	Colin Everett
	Financial Procedure Rule	Sara Dulson
	Joint Protocol between External and Internal Audit	Lisa Brownbill
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill

Tudalen 173

Meeting Date	Agenda Item	Author
<b>24<sup>th</sup> January 2018</b>	Risk Management update Corporate Governance Report Treasury Management 2017/18 Q3 Update and 2018/19 Strategy Contract Procedural Rules update Annual Audit Letter Certification of Grants Comparative Statistics Internal Audit Progress Report Audit Committee Action Tracking Forward Work Programme	Karen Armstrong Karen Armstrong Liz Thomas Gareth Owens WAO WAO Lisa Brownbill Lisa Brownbill Lisa Brownbill
<b>21<sup>st</sup> March 2018</b>	Audit Plan (WAO) Annual Improvement Report (WAO) Treasury Management 2017/18 Q4 Update Preparation and Close Down of Accounts 2017/18 School Reserves – Annual Report on School Balances Contract Procedural Rules update	WAO Karen Armstrong Liz Thomas Liz Thomas Clare Homard / Lucy Morris Gareth Owens

Meeting Date	Agenda Item	Author
	Certification of Grants and Returns Report (WAO) Internal Audit Progress Report 2017/18 Internal Audit Strategic Plan 2018/2021 PSIAS Compliance (Internal) Audit Committee Self-Assessment Audit Committee Action Tracking Forward Work Programme Private Meeting (WAO and Internal Audit)	Gary Ferguson Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
<b>June 2018</b>	Risk Management Update Annual Report on External Inspections Draft Annual Governance Statement Asset Disposals and Capital Receipts Internal Audit Annual Report Internal Audit Progress Report Follow Up Report Planning Enforcement Audit Committee Action Tracking	Karen Armstrong Karen Armstrong Karen Armstrong Neal Cockerton Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill

Meeting Date	Agenda Item	Author
	Forward Work Programme	Lisa Brownbill
<b>19th July 2018</b>	Treasury Management 2018/19 Q1 Update and Annual Report 2017/18	Liz Thomas
	Supplementary Financial Information to Draft Statement of Accounts 2017/18	Liz Thomas
<b>27<sup>th</sup> September 2018</b>	Statement of Accounts 2017/18	Gary Ferguson
	Corporate Governance Report	Karen Armstrong
	Annual Improvement Report	Karen Armstrong
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill